

IN THE  
**UNITED STATES COURT OF APPEALS**  
FOR THE FEDERAL CIRCUIT

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BLACKLIGHT POWER, INC.,

*Plaintiff-Appellant,*

v.

Q. TODD DICKINSON,  
Director, Patent and Trademark Office,

*Defendant-Appellee.*

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Appeal from the United States District Court for  
the District of Columbia in 00-422 (EGS),  
Judge Emmet G. Sullivan

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**BRIEF FOR PLAINTIFF-APPELLANT  
BLACKLIGHT POWER, INC.**

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November 6, 2000

## CERTIFICATE OF INTEREST

Counsel for the Plaintiff-Appellant certifies the following:

1. The full name of every party represented by us is:

BlackLight Power, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by us is:

BlackLight Power, Inc.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party represented by us are:

None

4. The names of all law firms and the partners or associates that appeared for the parties now represented by us in the trial court or agency or are expected to appear in this court are:

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## STATEMENT OF RELATED CASES

No appeal in or from the same Civil Action No. 00-422 (EGS) (D.D.C.) was previously before this Court or any other appellate court. In this same appeal, the Court previously denied Plaintiff-Appellant BlackLight Power, Inc.'s motion for an injunction pending appeal. *BlackLight Power, Inc. v. Dickinson*, No. 00-1530 (Fed. Cir. Aug. 31, 2000) (nonprecedential).

Counsel knows of no other case pending in this Court or any other court that may directly affect, or be directly affected by, the Court's decision in this appeal.

## JURISDICTIONAL STATEMENT

The U.S. District Court for the District of Columbia had jurisdiction over the civil action giving rise to this appeal pursuant to 28 U.S.C. §§ 1331 and 1338(a).

The U.S. Court of Appeals for the Federal Circuit has jurisdiction over this appeal pursuant to 28 U.S.C. § 1295(a).

The notice of appeal from the final judgment entered August 15, 2000, was timely filed in accordance with 28 U.S.C. § 2107(b) and Fed. R. App. P. 4(a) on August 24, 2000. (A33; A907.)

### I. STATEMENT OF THE ISSUES

1. Whether the PTO violated the plain language of 35 U.S.C. § 151, which commands that the “the patent shall issue” once the issue fee has been paid, by withdrawing BlackLight’s patent applications from issue after payment of the issue fee?

2. Whether the PTO’s regulation in 37 C.F.R. § 1.313(b)(3), which allows the PTO to withdraw a patent application after the issue fee has been paid on grounds of “unpatentability,” is invalid as contrary to the statutory command in section 151?

3. Whether the PTO violated its own regulation in section 1.313(b) when it withdrew BlackLight’s ‘294 application after payment of the issue fee without determining whether any of the claims are unpatentable?

4. Whether the PTO acted arbitrarily and capriciously when it withdrew BlackLight’s ‘294 application after payment of the issue fee in response to an outside inquiry and without ever reviewing the application file?



## II. STATEMENT OF THE CASE

### A. Preliminary Statement

This appeal arises from the illegal actions of the Patent and Trademark Office (PTO) in withdrawing from issue certain patent applications assigned to Plaintiff-Appellant BlackLight Power, Inc., after BlackLight had already paid the issue fees. Prompted by an outside inquiry, the PTO pulled BlackLight's application Serial No. 09/009,294 ('294 application) from issue without ever determining that the claims were unpatentable or even reviewing the relevant facts. In doing so, not only did the PTO follow what the district court termed "suspicious procedures," but its actions also violated the plain language of 35 U.S.C. § 151, which states that "the patent shall issue" once the issue fee has been paid.

Even if the PTO had the authority to withdraw the applications from issue, it violated its own regulations. 37 C.F.R. § 1.313(b)(3), on which the PTO purportedly relied, provides that, after the applicant has paid the issue fee, the application will not be withdrawn from issue for any reason except the "[u]npatentability of one or more claims." The PTO, however, never determined that any of the claims of BlackLight's '294 application was unpatentable before withdrawing it from issue. Indeed, it could not have made any such determination because the PTO Director who made the decision to withdraw the application never saw the application file.

Despite these clear violations of the statute and the PTO's own regulations, the District of Columbia District Court granted summary judgment to the PTO on BlackLight's claims under the Administrative Procedure Act (APA), 5 U.S.C. § 701, *et seq.* Although the district court was clearly troubled by the "seemingly suspicious procedures" followed by the PTO in withdrawing BlackLight's patent applications, it excused the PTO's actions, finding that the regulation permitted withdrawal based

only on a "possibility of unpatentability." This strained interpretation of the regulation would render it meaningless and allow the PTO to reopen prosecution on a whim, or, as it did here, based on hearsay information received from outside the PTO without even reviewing the file. At the very least, the PTO acted arbitrarily and capriciously in failing to review the relevant facts before deciding to withdraw BlackLight's '294 application.

Accordingly, the district court's grant of summary judgment should be reversed and the case remanded to the district court with instructions to set aside the PTO's illegal actions in withdrawing BlackLight's patent applications from issue and to direct that these applications issue as patents.

**B. Nature of the Case, Course of Proceedings,  
and Disposition Below**

BlackLight filed this suit on March 1, 2000 in the District of Columbia District Court against Q. Todd Dickinson, in his capacity as the Commissioner of Patents and Trademarks,<sup>1</sup> for violations of the Administrative Procedure Act (APA), 5 U.S.C. § 701, *et seq.*, by the PTO. (A35-47.) BlackLight sought both preliminary and permanent injunctive relief directing the PTO to issue BlackLight's patent application Serial Nos. 09/009,294, 09/008,947, 09/009,455, 09/009,678, and 09/111,160. BlackLight also sought a declaratory judgment that the PTO's withdrawal of its applications and the PTO's regulation permitting withdrawal were contrary to 35 U.S.C. § 151, and that the PTO's actions in this case were arbitrary and capricious and in violation of its own regulation. (*Id.*)

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<sup>1</sup> Effective March 29, 2000, P.L. No. 106-113 created the United States Patent and Trademark Office as a performance-based organization within the Department of Commerce and changed the title of the head of the agency from "Commissioner" to "Director." See 35 U.S.C. § 3(a)(1).

BlackLight also filed a motion for a temporary restraining order and preliminary injunction against the PTO. (A54-A66.) At a hearing before the district court on March 3, 2000, the parties agreed that BlackLight would withdraw its motion without prejudice in return for the PTO's agreement to refrain from taking any official action with respect to BlackLight's pending applications until June 2, 2000. (A67-78; A79.) The parties extended their standstill agreement several times until August 24, 2000, but the PTO refused to refrain from taking any action after that date.

On August 15, 2000, the district court (Judge Emmet G. Sullivan) issued its decision on the parties' cross-motions for summary judgment, granting summary judgment for the Commissioner. (A1-26.) The district court's decision is reported at *BlackLight Power, Inc. v. Dickinson*, 109 F. Supp.2d 44, 55 USPQ2d 1812 (D.D.C. 2000). After the district court's summary judgment, with time running out on the standstill agreement, BlackLight renewed its motion for an injunction against the PTO, or in the alternative, a stay pending appeal. The district court denied BlackLight's motion (A905), and this appeal followed (A907).

BlackLight's motion for an injunction pending appeal was also denied by this Court. *BlackLight Power, Inc. v. Dickinson*, No. 00-1530 (Fed. Cir. Aug. 31, 2000) (nonprecedential). The Court concluded that BlackLight would not sustain any irreparable harm if the PTO reopened prosecution because BlackLight has an effective remedy if the Court rules in its favor on the merits. Slip op. at 5. In view of the lack of irreparable harm, the Court also ruled that BlackLight had not shown a "strong likelihood of success" merits. Slip op. at 5-6. Since then, the PTO has issued Office Actions rejecting the claims in each of BlackLight's five patent applications.

### III. STATEMENT OF THE FACTS

#### A. BlackLight Power, Inc.

Plintiff-Appellant BlackLight Power, Inc. is a leader in the field of energy technology. Since 1991, BlackLight has spent over \$10 million researching and developing new ways to obtain energy from hydrogen and new compositions of matter formed from hydrogen. (A36-37; A50.) The funding for this research has come from such well-known companies as AMP Corporation, Connectiv, and PacificCorp. (A37; A50; A158-59; A593; A810-11.) Rigorous testing of BlackLight's technology by numerous independent laboratories, including one of Germany's top physicists, has demonstrated that it is based on sound scientific principles. (A37-38; A50; A159; A811.)

Indeed, BlackLight has been built on a rock-solid foundation of top-notch scientists and leaders in chemistry and physics. (A50.) Its board members include a former Assistant Secretary of the Department of Energy, a former Assistant Secretary of the Department of the Navy, and a retired Navy Vice Admiral who currently serves on the Defense Science Board and the Naval Studies Board of the National Academy of Science. (A35-36; A50-51.) Many of BlackLight's shareholders are PhD. chemists and physicists. (A36; A51.) BlackLight's founder and CEO, Dr. Randell L. Mills, has a medical degree from Harvard University and has published numerous papers on hydrogen and energy technology. (A462-66.) In October 1999, Dr. Mills addressed the American Chemical Society, during which he presented the results of BlackLight's research to an enthusiastic and receptive audience. (A37; A50.)

BlackLight's current private market capitalization exceeds \$340 million. (A50.) In March 2000, BlackLight was prepared to go public, with an initial public

offering underwritten by Morgan Stanley Dean Witter that was expected to exceed \$1 billion based on market conditions. (A40; A50; A158.) Since the PTO withdrew BlackLight's patent applications from issue, however, as explained below, the IPO was halted. (A158.) The PTO's withdrawal of BlackLight's applications has also interfered with business relationships between BlackLight and potential licensees of BlackLight's technology. (A158-59.)

#### **B. BlackLight's Patent Applications**

BlackLight is the assignee of five patent applications, including Serial No. 09/009,294 ('294 application), titled "Hydride Compounds." (A270-396; A478-518.) This application, as well as application Serial Nos. 09/008,947, 09/009,455, 09/009,678, and 09/111,160, relate to BlackLight's technology that uses a catalytic reaction of hydrogen to create new compositions of matter. These new compositions of matter comprise a hydride ion having a binding energy greater than about 0.8eV, which the inventor, Dr. Mills, calls a "hydrino hydride." The new compositions include conductive magnetic plastics, which are useful in electronic circuitry and aerospace engineering, and high-strength coatings that are resistant to corrosion. (A37; A126-27.)

During the catalytic reaction that produces the new compositions, a significant amount of energy is released, which can be used for a number of different purposes, including generating electricity. (A37; A126.) On February 15, 2000, BlackLight received U.S. Patent No. 6,024,935 ('935 patent), titled "Lower-Energy Hydrogen Methods and Structures," which relates to methods and apparatus for releasing energy from hydrogen atoms. (A210-69.) During prosecution of the '935 patent, BlackLight's patent attorney cited and discussed with the patent examiner over 130 prior art articles relating to the concepts of "cold fusion" and "perpetual motion."

(A127; see A38; A51-52.) In particular, BlackLight's attorney discussed with the examiner extensive experimental results demonstrating the operability of the new chemical process, as well as spectroscopy data confirming the existence of the new hydrides created by the process. (A127-28; see A467-68.) The examiner concluded that the application for the '935 patent did not encompass concepts of "cold fusion" or "perpetual motion" and allowed the application to issue. (A38; A51-52; A128.)

Similarly, during prosecution of the '294 application, which was filed on January 20, 1998, BlackLight's attorney cited the same references concerning "cold fusion" and "perpetual motion" that had been cited in the '935 patent. (A51; A128; see A38.) A second examiner raised issues related to operability of the disclosed technology under 35 U.S.C. § 101. (A129; A398-401.) Dr. Mills and BlackLight's attorney conducted an interview with the second examiner, where they again discussed the extensive experimental results positively identifying the new compositions of matter claimed in the '294 application. (A51; A129; A520; see A467-68; A471-72.) They also showed the examiner physical samples of the new compositions, including a plastic-like material that strongly reacts to a magnetic field. (A467; A471.)

On October 18, 1999, the PTO issued a "Notice of Allowance and Issue Fee Due" for the '294 application. The Notice reads:

THE APPLICATION IDENTIFIED ABOVE HAS BEEN  
EXAMINED AND IS ALLOWED FOR ISSUANCE AS A  
PATENT. PROSECUTION ON THE MERITS IS  
CLOSED.

THE ISSUE FEE MUST BE PAID WITHIN THREE  
MONTHS FROM THE MAILING DATE OF THIS  
NOTICE . . .

(A135.) BlackLight paid the issue fee three days later on October 21, 1999 (A136), and the '294 application was set to issue as U.S. Patent No. 6,030,601 on February 29, 2000 (A155-56).

On February 17, 2000, twelve days before the '294 application was to issue, Frances Hicks, a Petitions Examiner with the Office of Petitions, issued a Notice withdrawing the application from issue under 37 C.F.R. § 1.313. (A48.) Although § 1.313(b)(3) provides for the withdrawal of an application after the issue fee has been paid due to "[u]npatentability of one or more claims," the February 17 Notice says nothing about the claims or their unpatentability. It states only that "[t]he application is being withdrawn to permit reopening of prosecution," and that the "withdrawal was requested by the Director, Special Program Law Office." (*Id.*)

Indeed, it is undisputed that Esther Kepplinger, the Director of Technology Center 1700 who was actually responsible for the decision to withdraw the '294 application, never reviewed the contents of the application because the file could not be located. (A3; A40; A51-53; A131; A551.) When asked about her decision, Ms. Kepplinger revealed that it was the result of some perceived "heat" from an undisclosed, outside source in response to issuance of the '935 patent. (A51; A131; but see A552.)<sup>2</sup>

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<sup>2</sup> For purposes of the summary judgment motion before the district court, BlackLight retracted the argument that the PTO had withdrawn the '294 application in response to outside pressure. (A4 n.1; A751-52.) Since then, however, the PTO has conceded that the review of the '294 application was prompted by an outside inquiry from a reporter. (A808 n.12; A853 n.10; see A810-12.) It was also later revealed that Dr. Robert Park of the American Physical Society, who is quoted in the article cited by the PTO (A811), had communicated with the PTO through an unidentified contact he referred to as "Deep Throat" (A826).

Robert Spar, the Director of Special Programs, later confirmed that he had ordered the issuance of the February 17 Notice withdrawing the '294 application pursuant to Ms. Kepplinger's request. (A131; see A147.) Mr. Spar also admitted that he had not reviewed the '294 application. (A132; A555.) He apparently believed that the '294 application was directed to "cold fusion," which was the same argument that had already been raised and disposed of during prosecution. (A51; A131; A555.)

**C. The PTO's Decision**

After investigating the suspicious circumstances surrounding the withdrawal of the '294 application, BlackLight's counsel formally requested reconsideration of the withdrawal in letters to Ms. Kepplinger, Mr. Spar, and Q. Todd Dickinson, the Commissioner of Patents and Trademarks. (A49-53; A144-45; see A132-33.) BlackLight's counsel met again with Ms. Kepplinger, who conceded that she still did not have the '294 application file. (A133.)

The PTO treated BlackLight's letters as a single petition requesting that the Commissioner exercise his supervisory authority and reverse the PTO's withdrawal decision. In a decision dated March 22, 2000, the PTO denied BlackLight's petition and maintained that the '294 application was withdrawn from issue. (A146-54.) Specifically, in the March 22 decision, Assistant Deputy Commissioner Stephen G. Kunin reviewed the actions of Ms. Kepplinger and concluded that she did not act improperly in withdrawing the '294 application and issuing the February 17 Notice. (A153.)

Although the March 22 decision states that the withdrawal was "due to the Director's [Ms. Kepplinger's] determination that one or more claims lacked patentability" (A150), that clearly was not true since Ms. Kepplinger never even saw the file for the '294 application. Indeed, nothing in Ms. Kepplinger's declaration



indicates she ever made an actual determination of unpatentability of any of the claims, but rather she had some vague “patentability concerns.” (A552.) According to the March 22 decision, Ms. Kepplinger became aware of the ‘935 patent, which had already issued, and questioned whether it was based on known scientific principles. (A147.) Without even knowing what the ‘294 application disclosed or the scope of the allowed claims compared to the ‘935 patent, this was enough to raise in her mind a “substantial question of patentability” concerning the ‘294 application. (A147.) Thus, the March 22 decision implicitly acknowledges that there had been no determination of the unpatentability of the ‘294 claims, only that “[a]n Office Action addressing the merits of the application *or* a supplemental Notice of Allowance will issue in due course.” (A153; emphasis added.)

#### **D. District Court Proceedings**

On March 1, 2000, BlackLight filed suit in the District of Columbia District Court against the Commissioner for violations of the Administrative Procedure Act (APA), 5 U.S.C. § 701, *et seq.*, by the PTO. (A35-47.) BlackLight claimed that the PTO did not have the authority to withdraw BlackLight’s patent applications from issue after it had paid the issue fees, and that the PTO’s regulation permitting withdrawal was contrary to 35 U.S.C. § 151, which states that, “[u]pon payment of [the issue fee] the patent *shall* issue.” (Emphasis added.) Further, BlackLight claimed that, even if the Commissioner did have the authority to withdraw an application from issue, the PTO’s actions in this case were arbitrary and capricious and in violation of its own regulation.

On August 15, 2000, the district court (Judge Emmet G. Sullivan) issued its decision on the parties’ cross-motions for summary judgment. *BlackLight Power, Inc. v. Dickinson*, 109 F. Supp.2d 44, 55 USPQ2d 1812 (D.D.C. 2000). (A1-26.) The

court granted summary judgment for the Commissioner, holding that, contrary to the plain language of the statute which says that a patent "shall" issue, the PTO's interpretation allowing it to withdraw an application after the issue fee has been paid was "reasonable." *Id.* at 48, 50, 55 USPQ2d at 1815, 1817. (A10; A14.) In addition, the court held that the PTO's actions were not arbitrary and capricious, although the court was clearly troubled by the "seemingly suspicious procedures" followed by the PTO in withdrawing the '294 application. *Id.* at 54 n.10, 55 USPQ2d at 1820 n.10. (A25 n.10.) Nevertheless, the court concluded that the regulation permitting withdrawal based on "[u]npatentability of one or more claims," 37 C.F.R. § 1.313(b)(3), requires only "a possibility of unpatentability," 109 F. Supp.2d at 54, 55 USPQ2d at 1820 (A25), since there was never a determination that any of the claims of the '294 application are unpatentable.

#### IV. SUMMARY OF THE ARGUMENT

In reviewing the district court's grant of summary judgment, this Court need not defer to either the district court's or the PTO's interpretation of 35 U.S.C. § 151. The PTO's actions in withdrawing BlackLight's patent applications from issue after payment of the issue fees violated the plain language of section 151 commanding that "the patent shall issue" upon payment of the issue fee. The regulation on which the PTO purportedly relied to withdraw BlackLight's '294 application, 37 C.F.R. § 1.313(b)(3), is contrary to the statutory mandate in section 151 and is therefore invalid.

Moreover, the PTO did not follow its own regulation, which provides that, after payment of the issue fee, the application will not be withdrawn from issue for any reason except the "[u]npatentability of one or more claims." There is nothing in the

administrative record that shows anyone at the PTO ever determined that the claims of the '294 application are unpatentable before it withdrew the application.

Finally, the PTO acted arbitrarily and capriciously in withdrawing BlackLight's '294 application in response to an outside inquiry from a reporter and without ever reviewing the application file. No one at the PTO reviewed the relevant facts, and there is no rational connection between the facts actually relied on by the PTO and the decision to withdraw the application.

## V. ARGUMENT

### A. This Court Should Not Defer to Either the District Court or the PTO

In reviewing the district court's grant of summary judgment, this Court reviews the judgment *de novo* without deference to the district court's decision. *See, e.g., Johnson Worldwide Assocs. v. Zebco Corp.*, 175 F.3d 985, 988, 50 USPQ2d 1607, 1609 (Fed. Cir. 1999). Since the decision below turns on statutory interpretation, which is a question of law, this Court interprets the statute independently without deference to the district court. *See Glaxo Operations UK Ltd. v. Quigg*, 894 F.2d 392, 395, 13 USPQ2d 1628, 1630 (Fed. Cir. 1990); *Hoechst Aktiengesellschaft v. Quigg*, 917 F.2d 522, 526, 16 USPQ2d 1549, 1552 (Fed. Cir. 1990).

Likewise, this Court should not defer to the PTO on the proper statutory construction of section 151. *See In re Portola Packaging Inc.*, 110 F.3d 786, 788, 42 USPQ2d 1295, 1298-99 (Fed. Cir. 1997) (rejecting PTO's interpretation of reexamination statute); *Ethicon v. Quigg*, 849 F.2d 1422, 1425, 7 USPQ2d 1152, 1154 (Fed. Cir. 1988) ("[T]he courts are the final authorities on issues of statutory

construction.”). Contrary to established Federal Circuit law, however, the district court improperly deferred to the PTO’s interpretation under *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). *BlackLight*, 109 F. Supp.2d at 48, 55 USPQ2d at 1815. (A9-10.) This Court has expressly held that the courts need not give *Chevron* deference to the PTO because the Commissioner does not have substantive rulemaking authority. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-50, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996).

Moreover, even under *Chevron* and its progeny, the courts do not defer to an agency’s interpretation of a statute unless the relevant statute is silent or ambiguous on the question at hand. *Ad Hoc Comm. v. United States*, 13 F.3d 398, 402 (Fed. Cir. 1994); see also *Glaxo*, 894 F.2d at 398, 13 USPQ2d at 1633 (rule of deference in *Chevron* is limited to when statutory language has “left a gap” or is ambiguous). As explained below in Section V(B)(1), section 151 is clear and unambiguous on its face that the PTO must issue a patent after the applicant pays the issue fee.

Nor should this Court defer to the PTO simply because it has followed a practice of withdrawing patents from issue even after the issue fee has been paid for many years. See *In re Donaldson Co.*, 16 F.3d 1189, 1194, 29 USPQ2d 1845, 1849 (Fed. Cir. 1994) (*en banc*) (rejecting PTO’s interpretation of 35 U.S.C. § 112, ¶ 6, despite its longstanding practice of not applying statute); *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1397, 38 USPQ2d 1776, 1779 (Fed. Cir. 1996) (rejecting PTO’s interpretation of reexamination statute despite its reliance on Manual of Patent Examining Procedure). “The fact that the PTO may have failed to adhere to a

statutory mandate over an extended period of time does not justify its continuing to do so.” *Donaldson*, 16 F.3d at 1194, 29 USPQ2d at 1849.<sup>3</sup>

**B. The PTO’s Actions Violated the Plain Language of 35 U.S.C. § 151**

The PTO is an administrative agency subject to judicial review under the Administrative Procedure Act (APA), 5 U.S.C. § 701, *et seq.* *Dickinson v. Zurko*, 527 U.S. 150, 152, 50 USPQ2d 1930, 1932 (1999). The APA authorizes the courts to “hold unlawful and set aside agency action” that is found to be “arbitrary, capricious, an abuse of discretion or otherwise not in accordance with law,” or “in excess of statutory jurisdiction, authority, or limitations, or short of statutory right.” 5 U.S.C. §§ 706(2)(A), 706(2)(C). Here, the PTO’s actions in withdrawing BlackLight’s patent applications from issue violated the express command in 35 U.S.C. § 151 that “the patent shall issue” upon payment of the issue fee.

**1. Section 151 Unambiguously Commands Issuance of the Patent After Payment of the Issue Fee**

The PTO’s interpretation of 35 U.S.C. § 151, adopted by the district court, distorts the statute’s plain meaning. Section 151 provides in pertinent part:

If it appears that applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant. The notice shall specify a sum, constituting the issue fee or a

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<sup>3</sup> The Court may give weight to an agency’s interpretation of a statute where some deference is due under *Chevron*. See, e.g., *Craft Machine Works, Inc. v. United States*, 926 F.2d 1110, 1114 (Fed. Cir. 1991) (granting deference under *Chevron* to Department of Defense’s long-standing interpretation of regulation on cargo preference policies in military contracts). As discussed above, however, the courts need not give *Chevron* deference to the PTO. *Merck*, 80 F.3d at 1549-50. 38 USPQ2d at 1351.

portion thereof, which shall be paid within three months thereafter.

Upon payment of this sum [i.e., the issue fee] *the patent shall issue*, but if payment is not timely made, the application shall be regarded as abandoned. (Emphasis added.)

Section 151 is unambiguous. As recognized by the district court, *BlackLight*, 109 F. Supp.2d at 47-48, 55 USPQ2d at 1815 (A8), the word “shall” is “the language of command.” *Boyd v. Commissioner of Patents*, 441 F.2d 1041, 1043 n.3, 168 USPQ 680, 681 n.3 (D.C. Cir. 1970) (holding that 35 U.S.C. § 41, which provides that Commissioner “shall charge” various fees, does not give Commissioner any discretionary power to waive payment). It is used to impose an obligation to act. See, e.g., *International Union, UAW v. Dole*, 919 F.2d 753, 756 (D.C. Cir. 1990). Thus, section 151 unambiguously commands that the PTO must issue a patent after the applicant pays the issue fee.

The district court, however, agreed with the PTO that the introductory clause of section 151 (“If it appears that applicant is entitled to a patent under the law”) somehow trumps the remainder of the statute. *BlackLight*, 109 F. Supp.2d at 48-49, 55 USPQ2d at 1816. (A10.) Like the PTO, the district court never explains how this introductory clause modifies the following paragraph in which the statutory command that a patent “shall issue” upon payment of the issue fee appears. The introductory clause merely provides that, in such event, “a written notice of allowance of the applicant shall be given or mailed to the applicant.” It does not change the procedure after the PTO has sent the notice of allowance and the applicant has paid the issue fee, which is separately addressed in the second paragraph of section 151.

That is exactly the procedure that the PTO should have followed when it issued the notice of allowance in BlackLight's '294 application. In accordance with the first sentence of section 151, the PTO must have determined that BlackLight was "entitled to a patent under the law" when it issued the written notice of allowance. Then, in accordance with the second paragraph of section 151, after BlackLight paid the issue fee, the PTO had to issue the patent.<sup>4</sup>

In adopting the PTO's interpretation of section 151, the district court also declined to follow either *Sampson v. Dann*, 466 F. Supp. 965, 201 USPQ 15 (D.D.C. 1978), or *Brenner v. Ebbert*, 398 F.2d 762, 157 USPQ 609 (D.C. Cir. 1968). In *Brenner*, the court pointed out that, under the statutory framework, examination of a patent application is complete when the application is allowed. "Congress established a separate statutory framework for what remains—issuance of the patent. It is a relatively ministerial act; if the issue fee is timely tendered, the patent must

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<sup>4</sup> Similarly, 35 U.S.C. § 131, which deals with examination of patent applications, does not override the plain language of section 151. Section 131 states generally that a patent shall issue "if on such examination it appears that the applicant is entitled to a patent under the law." Section 151, on the other hand, which deals more particularly with issuance, mandates the procedure that the PTO must follow once an applicant is entitled to a patent, including a written notice of allowance and issuance of the patent after payment of the issue fee. Section 131's general command to issue a patent if it appears that the applicant is entitled to one does not give the PTO authority to ignore other, more specific commands, once it determines that the applicant is entitled to a patent.

issue.” *Id.* at 764, 157 USPQ at 611.<sup>5</sup> See also *United States Gypsum Co. v. Masonite Corp.*, 21 F. Supp. 551, 552, 36 USPQ 22, 23 (D. Del. 1937) (stating that, “[u]pon the payment of the final fee the Commissioner is bound by statute to issue the patent”).

*Brenner* was followed in *Sampson*, 466 F. Supp. 965, 201 USPQ 15, which the district court admitted is factually analogous to the present case. *BlackLight*, 109 F. Supp.2d at 51, 55 USPQ2d at 1817. (A16.) After *Sampson* received a notice of allowance and paid the fee in a reissue application, a defendant in a patent infringement action brought by *Sampson* wrote the Patent Office to call to the examiner’s attention additional prior art. *Sampson*, 466 F. Supp. at 969, 201 USPQ at 18-19. The Patent Office withdrew the application, and, over *Sampson*’s protest, rejected the application over the new prior art. The district court held that the command in section 151 that “‘the patent shall issue’ created an enforceable right” in *Sampson*, and directed the Patent Office to issue the patent. *Id.* at 972, 201 USPQ at 21.

Instead of following *Sampson*, the district court chose to follow *Harley v. Lehman*, 981 F. Supp. 9, 44 USPQ2d 1699 (D.D.C. 1997). *BlackLight*, 109 F. Supp.2d at 52, 55 USPQ at 1818-19. (A20.) The court in *Harley*, however, simply deferred to the PTO under *Chevron*, finding that the PTO’s interpretation of section 151 allowing patents to be withdrawn from issue was “not unreasonable.” 981 F.

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<sup>5</sup> Although the statements in *Brenner* can be characterized as dicta, the district court recognized that *Brenner* concluded that Congress had created separate statutory frameworks for the examination and issuance of patents. *BlackLight*, 109 F. Supp.2d at 50, 55 USPQ2d at 1817. (A15-16.) The PTO’s interpretation of section 151, adopted by the district court, however, fails to recognize this distinction, and would continue the examination stage into the separate stage for issuance of patents, inconsistent with the reasoning in *Brenner*.



Supp. at 12, 44 USPQ2d at 1702. As explained in Section V(A) above, the PTO is not entitled to such deference because the Commissioner does not have substantive rulemaking authority. *Merck*, 80 F.3d at 1549-50, 38 USPQ2d at 1351. Moreover, even under *Chevron*, the courts should not defer to the PTO's interpretation because the statute is unambiguous. See *Glaxo*, 894 F.2d at 398, 13 USPQ2d at 1630. Consequently, *Harley* is unpersuasive and should not be followed.<sup>6</sup>

The district court also chose to follow *Harley* based on the false distinction that *Sampson* was decided before the PTO adopted the regulation in 37 C.F.R. § 1.313(b) allowing it to withdraw applications from issue on grounds of unpatentability. *BlackLight*, 109 F. Supp.2d at 52, 55 USPQ2d at 1819. (A19-20.) See also *Harley*, 981 F. Supp. at 12 n.3, 44 USPQ2d at 1702 n.3. Earlier in the district court's opinion, however, it recognized that the PTO previously withdrew patent applications from issue on grounds of "mistake," which included reasons related to unpatentability. *BlackLight*, 109 F. Supp.2d at 49, 55 USPQ2d at 1816 (citing *Hull v. Commissioner*, 8 D.C. (2 MacArth.) 90 (1875)). (A12.) The 1982 addition of the "unpatentability" exception had no substantive effect on the regulation. Therefore, the fact that the

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<sup>6</sup> Like the appealed decision, the D.C. district court's decision in *Harley* is not binding on this Court.

*Harley* court squarely considered section 1.313(b), *id.* at 52, 55 USPQ2d at 1819 (A20), does not make *Harley* more persuasive.<sup>7</sup>

It is undisputed that BlackLight paid the issue fee for its patent applications. The Notice of Allowance in the '294 application stated: "PROSECUTION ON THE MERITS IS CLOSED." (A135.) All that remained after BlackLight paid the issue fees were the ministerial steps of preparing and publishing the applications as patents. Under the plain language of section 151, the PTO must issue the patents.

2.     **The Legislative History Is Consistent With  
Section 151's Plain Language**

Neither the PTO nor the district court cited anything in the legislative history of section 151 that would justify their interpretation contrary to the statute's plain language. "When statutory interpretation is at issue, the plain and unambiguous meaning of a statute prevails in the absence of clearly expressed legislative intent to the contrary." *Donaldson*, 16 F.3d at 1192-93, 29 USPQ2d at 1848; *Glaxo*, 894 F.2d at 395, 13 USPQ2d at 1630 ("When . . . the terms of a statute [are] unambiguous, judicial inquiry is complete, except in rare and exceptional circumstances."). Here, the legislative history does not contradict its plain language; rather, it confirms that Congress intended to speed up the issuance of patents.

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<sup>7</sup> The district court also found that *Harley* is "factually and procedurally identical to the present case." *BlackLight*, 109 F. Supp.2d at 51, 55 USPQ2d at 1818. (A18.) As explained further below in Section V(C), in *Harley*, unlike this case, a PTO director made an actual determination of unpatentability based on new prior art submitted in a protest, before withdrawing the application from issue. (A596-97 n.10.) In this case, there was never any new prior art, and there was never a determination of unpatentability before the PTO withdrew the '294 application from issue.

Section 151 derives from R.S. § 4885, which as enacted in 1870 provided “That every patent shall date as of a day not later than six months from the time at which it was passed and allowed, and notice thereof was sent to the applicant or his agent; and if the final fee shall not be paid within that period, the patent shall be withheld.” Act of July 8, 1870, ch. 230, § 23, 16 Stat. 201 (1870). (See A162.) In 1908, Congress amended section 4885 to provide:

Every patent shall issue within a period of three months from the date of payment of the final fee, which fee shall be paid not later than six months from the time at which the application was passed and allowed and notice thereof was sent to applicant or his agent; and if the final fee is not paid within that period the patent shall be withheld.

Act of May 23, 1908, ch. 189, 35 Stat. 246 (1908) (A161.)

The House Report explained that the amendment to section 4885 was intended to address the problem caused by applicants waiting until the end of the six-month period to pay the issue fee. (A162-63.) When an applicant waited until the end of the six-month period, the Patent Office could not print and prepare the patent for issuance so that it could bear a date “not later than six months from the time” of allowance. (*Id.*) In order to meet the statutory deadline, the practice arose that the Patent Office would issue a second notice of allowance. (A163.) Congress solved this problem by making the payment of the issue fee the trigger for determining when the patent must issue. It did not give the Patent Office any discretion to withdraw the patent once the issue fee was paid.

Section 4885 was recodified as 35 U.S.C. § 41. (See A164.) In 1939, this section was amended to give the Commissioner discretion to “receive the final fee if paid within one year after the six months’ period for payment has passed and the patent shall issue.” Act of August 9, 1939, § 2, 53 Stat. 1293 (1939). (A164.) Again.

once payment was made, the Patent Office was constrained to follow the statutory command and issue the patent.

In 1953, 35 U.S.C. § 41 was recodified with no substantive change as 35 U.S.C. § 151. In 1965, section 151 was amended to decrease the time period for payment of the issue fee from six months to three months and to decrease the grace period for late payment from one year to three months. *See Brenner*, 398 F.2d at 764, 157 USPQ at 611. The purpose of this amendment was “to expedite the prosecution of patent applications and thus make new technology available to the public at an earlier date.” *Id.*, quoting S. Rep. No. 301, 89th Cong., 1st Sess 1 (1965), U.S. Code Cong. & Admin. News 1965, pp. 2315, 2316.

Thus, the legislative history shows that, since 1908, Congress has mandated that a patent shall issue once the issue fee is paid, consistent with its intention to expedite, not delay, the issuance of patents. There is nothing in the legislative history showing a contrary intention necessary to override section 151’s plain language.

### **3. The PTO’s Regulation Is Invalid**

The PTO purportedly withdrew the ‘294 application from issue pursuant to 37 C.F.R. § 1.313(b)(3), which provides that, after the applicant has paid the issue fee, the application will not be withdrawn from issue for any reason except the “[u]npatentability of one or more claims.” Section 1.313(b), however, is inconsistent with the statutory mandate in section 151 that a patent *shall* issue after payment of the issue fee. Therefore, this Court should reject section 1.313(b) as contrary to the statutory language.

The PTO does not have substantive rulemaking powers. *Merck*, 80 F.3d at 1549-50, 38 USPQ2d at 1351. 35 U.S.C. § 6 authorizes the Commissioner to “establish regulations, not inconsistent with law, for the conduct of proceedings” in

the PTO. Thus, section 1.313(b) does not have the force and effect of law, and the courts do not owe deference to the regulation as they would if the PTO had substantive rulemaking powers. *See Merck*, 80 F.3d at 1549, 38 USPQ2d at 1351. Contrary to this precedent, however, the district court upheld the regulation by improperly deferring to the PTO under *Chevron*. 109 F. Supp.2d at 50, 55 USPQ2d at 1817. (A14.) Ultimately, “the courts are the final authorities on issues of statutory construction. They must reject administrative constructions . . . , whether reached by adjudication or by rulemaking, that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement.” *FEC v. Democratic Senatorial Campaign Comm.*, 454 U.S. 27, 32 (1981).

The PTO tries to justify its regulation allowing it to withdraw applications after the applicant has paid the issue fee on the ground that it has an obligation to issue patents that meet the statutory requirements for patentability. (A152.) *See also BlackLight*, 109 F. Supp.2d at 49-50, 55 USPQ2d at 1816-17. (A12; A14.) In an analogous situation, however, this Court rejected the PTO’s argument that it could reexamine patent claims on grounds previously considered, even though such a reexamination might show that the requirements for patentability had not been met. *See In re Recreative Techs. Corp.*, 83 F.3d 1394, 1397, 38 USPQ2d 1776, 1779 (Fed. Cir. 1996). The reexamination statute, 35 U.S.C. § 303, allows reexamination of a patent only if there is a “substantial new question of patentability.” Rejecting the PTO’s reliance on the Manual of Patent Examining Procedure (MPEP), which at the time allowed reexamination on grounds previously considered, the Federal Circuit held that the “power [to reexamine questions of patentability decided in original examination] can not be acquired by internal rule of procedure or practice. The

policy balance reflected in the reexamination statute's provisions can not be unilaterally realigned by the agency." *Id.* at 1398, 38 USPQ2d at 1779.

Likewise, the PTO cannot by regulation or otherwise withdraw applications from issue after the issue fee has been paid in violation of section 151. The PTO's regulation in section 1.313(b) is contrary to the statutory mandate that a "patent shall issue" upon timely payment of the issue fee and is therefore invalid.

**C. The PTO Did Not Follow Its Own Regulation**

Even assuming that 35 U.S.C. § 151 does not prohibit the PTO from withdrawing an application from issue after payment of the issue fee, the PTO still failed to follow its own regulation. As noted above, the PTO purportedly withdrew the '294 application from issue pursuant to 37 C.F.R. § 1.313(b)(3), which provides that, after the applicant has paid the issue fee, the application will not be withdrawn from issue for any reason except the "[u]npatentability of one or more claims." There is nothing in the administrative record, however, which shows that Ms. Kepplinger or anyone else ever determined that the claims of the '294 patent are unpatentable. It is undisputed that Ms. Kepplinger never reviewed the contents of the application before the Notice issued on February 17, 2000, because the file could not be located. (A3-4; A40; A53; A131; A551.) Nearly two weeks later on February 28, 2000, she still did not have the '294 application file. (A133.) Mr. Spar admitted that he did not review the '294 application either. (A132; A555.) He mistakenly thought that the application was directed to "cold fusion." (A51; A131; A555.)

Even the PTO's decision issued March 22, 2000, implicitly acknowledged that there had been no determination of the unpatentability of the '294 claims, only that "[a]n Office Action addressing the merits of the application *or* a supplemental Notice of Allowance will issue in due course." (A153; emphasis added.) Although the

March 22 decision states that the withdrawal was “due to the Director’s determination that one or more claims lacked patentability” (A150), that clearly was not true since neither Ms. Kepplinger nor Mr. Spar saw the file before withdrawing the ‘294 application from issue.

Without a determination of unpatentability, section 1.313(b)(3) does not authorize the PTO to withdraw an application from issue. The district court, however, erroneously rejected BlackLight’s argument that this regulation, even if valid in light of section 151, requires the PTO to have made at least an actual determination of unpatentability as a prerequisite to withdrawing an application. *BlackLight*, 109 F. Supp.2d at 54, 55 USPQ2d at 1820. (A25.) Instead, the court agreed with the PTO that it could withdraw an application based merely on the “possibility of unpatentability” (*id.*), since there was never a determination that any of the claims of the ‘294 application is unpatentable.

The district court’s strained reading of the regulation to excuse the PTO’s arbitrary action in this case cannot stand. To allow the PTO to withdraw an application from issue based on the mere “possibility” of unpatentability would make both the notice of allowance and the regulation prohibiting withdrawal after the issue fee has been paid except in specifically defined circumstances meaningless. The PTO could withdraw an application based on a whim, or, as it did here, based on hearsay information received from outside the PTO without even reviewing the file. What’s more, a competitor who becomes aware of a patent that is about to issue could go directly to the PTO and try to convince the examiner to withdraw the patent from issuance based on little or no evidence.

Again, the district court’s reliance on *Harley* is misplaced. In *Harley*, the plaintiff argued that the examiner, not the Group Director, should have made the

prerequisite determination of unpatentability as the basis for withdrawing the application from issue. In response, the PTO argued that the prerequisite determination of unpatentability was properly made by the Group Director, and thus satisfied the requirements of section 1.313(b)(3). (A596-97 n.10.) That clearly was not done here, as Ms. Kepplinger admitted she did not even have the file when she made the decision to withdraw the '294 application from issue.<sup>8</sup>

Even if this Court were to follow *Harley*, it should require that the PTO had to have made an actual determination of unpatentability as it argued was necessary in that case. The inconsistency between the PTO's positions in *Harley* and here, as well as the plain language of section 1.313(b)(3), compels reversal of the PTO's actions in this case.

**D. The PTO's Actions Were Arbitrary and Capricious**

The district court never squarely addressed BlackLight's contention that, even if a determination of unpatentability is not required to withdraw an application from issue pursuant to section 1.313(b)(3), the PTO's actions in this case were still arbitrary and capricious. The court noted that it was troubled by several steps in the PTO's process, including withdrawing the '294 application from issue "without the benefit of any PTO employee's re-evaluating the file." *BlackLight*, 109 F. Supp. at 54 n.10, 55 USPQ2d at 1820 n.10. (A25 n.10.) The district court's concern should have led it to the conclusion that the process was arbitrary and capricious, a conclusion that this Court should reach on appeal.

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<sup>8</sup> Compare the Notice issued in *Harley*, which stated that "[t]he application is being withdrawn to apply a new rejection based on new art submitted in a protest" (A600), with the February 17 Notice in this case, which merely states that "[t]he application is being withdrawn to permit reopening of prosecution" (A48).



Specifically, the PTO's decision to withdraw BlackLight's '294 application was arbitrary and capricious because no one reviewed the relevant facts and there is no rational connection between the facts actually relied on by the PTO and the decision to withdraw the application. *See Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (holding that agency must examine relevant data and articulate "rational connection between the facts found and the choices made"). Neither Ms. Kepplinger nor Mr. Spar reviewed the '294 application file before it was withdrawn; therefore, neither one could have independently considered the patentability of any of the claims. Indeed, the PTO has conceded that the decision to withdraw the application was prompted by an outside inquiry from a reporter. (A808 n.12; A853 n.10; see A810-12.)

According to the PTO's March 22 decision, Ms. Kepplinger became aware of the '935 patent, which had already issued, and questioned whether it was based on known scientific principles. (A147.) She then decided to withdraw the '294 application without even knowing what the application disclosed, the scope of the allowed claims as compared to the '935 patent, or whether the same issues had already been raised during prosecution before the examiner. In fact, their titles alone indicate that the '935 patent and the '294 application are directed to different subject matter: the '935 patent relates to "Lower-Energy Hydrogen Methods and Structures," and the '294 application relates to "Hydride Compounds." Moreover, the examiner who examined the '294 application had already raised issues related to operability of the technology (A129; A398-401), and had considered experimental evidence presented by the applicants positively identifying the new compositions of matter. (A51; A129; A520; see A467-68; A471-72.) At the time she decided to withdraw the application from issue, however, Ms. Kepplinger could not have possibly known any

of this because she had only looked at the '935 patent, a patent that was presumed to be valid.

Therefore, since the PTO's decision to withdraw the '294 application from issue was not based on a review of the relevant facts, but only on a presumably valid issued patent, the decision was arbitrary and capricious. It should be set aside on that basis.

## VI. CONCLUSION AND STATEMENT OF RELIEF SOUGHT

For these reasons, the district court's grant of summary judgment for the Commissioner and against BlackLight should be reversed.\* The case should be remanded to the district court with instructions to set aside the PTO's illegal actions in withdrawing BlackLight's application Serial Nos. 09/009,294, 09/008,947, 09/009,455, 09/009,678, and 09/111,160, and to direct that these applications issue as patents.

Respectfully submitted,

Dated: November 6, 2000

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## **ADDENDUM**

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

BLACKLIGHT POWER, INC.

Plaintiff,

v.

Q. TODD DICKINSON,  
Commissioner of Patents  
and Trademarks,

Defendant.

Civil Action No. 00-422 (EGS)  
[11-1][13-1]

FILED

AUG 15 2000

WALTER WATKINSON, CLERK  
U.S. DISTRICT COURT

MEMORANDUM OPINION AND ORDER

I. Introduction

Plaintiff Blacklight Power, Inc., alleges that defendant Q. Todd Dickinson, Commissioner of the Patent and Trademark Office (PTO), violated the Administrative Procedure Act (APA), 5 U.S.C. § 706 et seq., when the PTO withdrew one and threatened to withdraw four others of plaintiff's patents from issue after plaintiff had received a "Notice of Allowance and Issue Fee Due" and payed the issue fee. The issues presented are whether the defendant had the authority to withdraw plaintiff's patent after plaintiff had paid the issue fee, and, if defendant did have the authority, whether that withdrawal was arbitrary and capricious. Plaintiff claims that defendant's actions were arbitrary and capricious, and that the internal regulation on which defendant relies contravenes the governing patent statute. Pending before

the Court are the parties' cross motions for summary judgment. Upon consideration of the parties' motions, memoranda in support, responses in opposition, replies in support, and the arguments at the May 22, 2000 motions hearing, plaintiff's motion for summary judgment [11-1] is **DENIED**, and defendant's motion for summary judgment [13-1] is **GRANTED**.

## II. Factual Background

Plaintiff has filed a series of five patent applications for technology that, according to plaintiff, represents a new source of chemical energy from hydrogen. One of these, titled "Lower-Energy Hydrogen Methods and Structure," was filed March 21, 1997. This application was issued as U.S. Patent No. 6,024,935 (the '935 patent) on February 15, 2000. Another of these, Ser. No. 09/009,294 (the '294 application), titled "Hydride Ions," had been filed January 20, 1998. During prosecution of the '294 application, plaintiff cited over 130 prior art articles concerning "cold fusion" and "perpetual motion." When the primary patent examiner raised issues relating to the operability of the '294 technology, plaintiff conducted a personal interview with the examiner to discuss the articles and the operability issues. On October 18, 1999, defendant issued a Notice of Allowance and Issue Fee Due for the '294 application (Notice). The Notice reads:

THE APPLICATION IDENTIFIED ABOVE HAS BEEN EXAMINED AND IS ALLOWED FOR ISSUANCE AS A PATENT. PROSECUTION ON THE MERITS IS CLOSED.

THE ISSUE FEE MUST BE PAID WITHIN THREE MONTHS FROM THE MAILING DATE OF THIS NOTICE . . . Pl.'s Mot. for Summ. J., Ex. 2.

Plaintiff paid the issue fee three days later, October 21, 1999. See Pl.'s Mot. for Summ. J., Ex. 3. Following payment of the issue fee, the '294 application was set to issue as U.S. Patent No. 6,030,601 on February 29, 2000.

On February 17, 2000, twelve days before the '294 application was to issue, Frances Hicks, a Petitioner's Examiner with the Office of Petitions, Office of the Deputy Assistant Commissioner for Patent Policy Projects, issued a Notice (February 17 Notice) informing plaintiff that, by request of the Director of the Special Program Law Office, "the ['294] application . . . is being withdrawn from issue pursuant to 37 C.F.R. § 1.313 . . . to permit reopening of prosecution." Pl.'s Mot. for Summ. J., Ex. 4. It is uncontested that the '294 application file was not in defendant's possession at the time this Notice was sent.

Upon receiving the February 17 Notice, plaintiff's patent counsel began investigating the circumstances surrounding the withdrawal, contacting different PTO employees by telephone and by mail, including Ms. Hicks, and Director Esther Kepplinger. On February 28, 2000, plaintiff's patent counsel hand-delivered a

final letter asking that the withdrawal be reconsidered. Director Kepplinger met with him to receive the letter. She conceded that she still did not have a copy of the '294 application, at which time plaintiff's patent counsel provided her with a copy of his own '294 application file. See Pl.'s Mot. for Summ. J. at 10; Melcher Decl. ¶ 22. In that meeting, Director Kepplinger indicated that she was concerned that the '294 technology involved "cold fusion" and "perpetual motion."<sup>1</sup> She also stated that the PTO intended to withdraw from issue four others of plaintiff's patents-in-application.<sup>2</sup> See Verified Compl. ¶ 22.

Pursuant to 37 C.F.R. § 1.181(a)(3), defendant treated plaintiff's February 28 letters to the Commissioner, Director Robert Spar, and Director Kepplinger, as a single petition requesting that the Commissioner exercise his supervisory authority and reverse the PTO's withdrawal decision. In a decision issued March 22, 2000 (March 22 Decision), defendant

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<sup>1</sup> In plaintiff's motion for summary judgment, plaintiff details that Director Kepplinger indicated that Commissioner Dickinson had telephoned her and told her to re-evaluate the '294 application after receiving communications from undisclosed third-party sources complaining about the '935 patent. See Pl.'s Mot. for Summ. J. at 11. However, at the May 22, 2000 motions hearing, for the purposes of the summary judgment motion, plaintiff's counsel retracted its argument that the withdrawal of the '294 application was in response to pressure outside of the PTO. See May 22, 2000 Hr'g. Tr. at 52.

<sup>2</sup> The four other patent applications are: Ser. No. 09/008,947, filed January 20, 1998; Ser. No. 09/009,455, filed January 20, 1998; Ser. No. 09/009,678, filed July 7, 1998; and Ser. No. 09/111,160, filed July 7, 1998.



denied plaintiff's petition, refused to rescind the February 17 Notice, and disallowed plaintiff's patent. See Pl.'s Mot. for Summ. J., Ex. 8. The March 22 Decision indicated that the reason behind the withdrawal of the '294 application was its similarity to the '935 patent, both of which claimed to attain energy levels below the ground state according to a "novel atomic model." See Pl.'s Mot. for Summ. J., Ex. 8 at 2. Both claim that the electron of a hydrogen atom can attain an energy level and orbit below the 'ground state' corresponding to a fractional quantum number. According to defendant, this assertion alarmed the Director, who had examined the '935 patent, and who had learned of the '292 application, because it "did not conform to the known laws of physics and chemistry." *Id.* The March 22 Decision states that the Director "was immediately aware that any pending application embodying such a concept raise[d] a substantial question of patentability of one or more claims which would require reopening prosecution." *Id.*

### **III. Procedure**

Plaintiff filed this lawsuit on March 1, 2000. Plaintiff's complaint consists of two counts. Count I seeks preliminary and permanent injunctive relief directing defendant to issue the five contested patents-in-application as patents. Count II seeks a declaratory judgment that defendant's withdrawal of the patent

applications was arbitrary and capricious and contrary to the PTO's own regulations and to the applicable patent issue statute. Plaintiff filed its motion for a temporary restraining order and preliminary injunction on March 2, 2000. At their March 3, 2000 hearing, the parties agreed that plaintiff would withdraw its motion without prejudice, and defendant would not take any Office Action with respect to the patents-in-application. On March 8, 2000, the Court issued an order memorializing that agreement, and setting a briefing schedule. Defendant filed the administrative record on March 22, 2000. The parties filed their cross motions for summary judgment on April 4, 2000. They filed their responses in opposition on April 18, 2000. Plaintiff filed its reply in support on May 1, 2000, and defendant filed its reply in support on May 5, 2000. The Court held a motions hearing on the cross motions for summary judgment on May 22, 2000.

#### **IV. Discussion**

The Court must examine several questions to resolve the pending cross motions. First, the Court must determine whether defendant has the authority to withdraw plaintiff's patent after plaintiff has paid the issue fee. If the Court determines that the PTO did possess the requisite authority, then the Court must conclude which PTO issuance, the February 17 Notice or the March 22, 2000 Decision, constitutes final, reviewable agency action.

As the last step, the Court must determine whether that final agency action was arbitrary and capricious in contravention of the APA.

A. Whether the PTO Has the Authority To Withdraw Plaintiff's Patent After Payment of the Issue Fee

Plaintiff argues that the PTO does not have the authority to withdraw plaintiff's patent after payment of the issue fee for three reasons: 1) because doing so violates the plain language of the statute, 2) because the PTO regulation on which defendant bases its authority violates the plain language of the statute, and 3) because case law directs defendant to issue the patent upon payment of the fee.

1. *Patent Issuance Statute: 35 U.S.C. § 151*

The parties interpret 35 U.S.C. § 151, the statute governing the issuance of patents, to support their respective positions by focusing on different sections of the statute. 35 U.S.C. § 151 provides in relevant part:

**If it appears that applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant. The notice shall specify a sum, constituting the issue fee or a portion thereof, which shall be paid within three months thereafter.**

**Upon payment of this sum the patent shall issue, but if payment is not timely made, the application shall be regarded as abandoned. 35 U.S.C. § 151 (emphases added).**

Plaintiff focuses on the italicized language directing that "[u]pon payment of [the issue fee] the patent shall issue." It is well-established that "shall" is the "language of command." *Boyden v. Commissioner of Patents*, 441 F.2d 1041, 1042 n.3 (D.C. Cir. 1970), cert. den., 404 U.S. 842 (1971). Here, it is uncontroverted that the Notice of Allowance for the '294 application stated that the application was "allowed for issuance as a patent" and that "prosecution on the merits is closed." Pl.'s Mot. for Summ.-J., Ex. 2. It is also uncontroverted that plaintiff paid the appropriate fees. Accordingly, plaintiff contends that defendant's defalcation is at loggerheads with the statute's clear command.

Defendant argues that if the statute is read *in toto*, see *Dole v. United Steelworkers of Am.*, 494 U.S. 26, 35 (1990), it is clear that the withdrawal of these patent applications is within the PTO's power. Defendant notes that the entire section is premised on whether "it appears that [the] applicant is entitled to a patent under the law." Here, defendant contends, that is not so, because of plaintiff's claims of having attained an energy level and orbit below the hydrogen "ground state" corresponding to a fractional quantum number. Defendant also reminds the Court that even though the word "shall" generally is interpreted as imposing a mandatory duty, "shall" may also be interpreted differently depending on its context.. See *LO*

*Shippers Action Committee v. ICC*, 857 F.2d 802, 806 (D.C. Cir. 1988). As a result, defendant contends, plaintiff's textual argument is not persuasive.

The parties clash over the appropriate standard of review for the PTO's interpretation of 35 U.S.C. § 151. Plaintiff contends that, since the language of 35 U.S.C. § 151, the patent issuance statute, is unambiguous, the proper statutory construction of § 151 is a question of law that the court decides without deference to the PTO's interpretation. In *In re Portola Packaging Inc.*, 110 F.3d 786, 788 (Fed. Cir. 1997), the court held that judicial inquiry is "complete" when the terms of a statute are unambiguous. Plaintiff argues that § 151 is unambiguous because it dictates that the "patent shall issue" upon payment of the issue fee.

Defendant responds that the PTO's interpretation of 35 U.S.C. § 151 is due *Chevron* deference, and should be upheld. See *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842-44 (1984). "When faced with a problem of statutory construction, [the reviewing court should] show[] great deference to the interpretation given the statute by the officers or agency charged with its administration." *Udall v. Tallman*, 380 U.S. 1, 16 (1965). The PTO Director is charged with administering 35 U.S.C. § 151. Accordingly, defendant maintains, the Court should grant defendant's interpretation considerable

deference. For additional support, defendant cites *Harley v. Lehman*, 981 F.Supp. 9 (D.D.C. 1997). The *Harley* court held that the PTO's interpretation of § 151 is due *Chevron* deference, and that the PTO's interpretation was reasonable in light of the agency's "duty to ensure that the patents it issues are valid." *Id.* at 11. The Court is persuaded that the holding of the *Harley* court, which applied to a situation factually and procedurally identical to the present case, applies to the present case.<sup>3</sup> Therefore, the Court will accord the PTO's interpretation of 35 U.S.C. § 151 the deference it is due under *Chevron*.

Examining the parties' interpretations under the by now familiar *Chevron* two-step inquiry, this Court concludes that defendant's interpretation of the plain language 35 U.S.C. § 151 should be upheld. See *Harley*, 981 F.Supp. at 11. The code premises issuance of a patent upon payment of the issue fee "[i]f it appears that applicant is entitled to a patent under the law. . . ." See 35 U.S.C. § 151. These words clearly establish the PTO's mandate to issue valid patents. See *In re Etter*, 756 F.2d 852 (Fed. Cir. 1985).

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<sup>3</sup> For a more in-depth discussion of *Harley*, see A.3., "Caselaw."

2. *PTO's Administrative Regulation: 37 C.F.R. § 1.313(b)*

Plaintiff asseverates that 37 C.F.R. § 1.313(b), the PTO regulation implementing § 151, on which the PTO based withdrawal of the '294 application and its proposed withdrawal of the other four allowed applications, is invalid. Plaintiff contends that that regulation violates § 151's mandate that patents shall issue upon payment of the issue fee. 37 C.F.R. § 1.313(b) provides:

When the issue fee has been paid, the application will not be withdrawn from issue for any reasons except:

- (1) a mistake on the part of the Office;
  - (2) a violation of § 1.56 [fraud] or illegality in the application;
  - (3) *unpatentability of one or more claims . . .*
- 37 C.F.R. § 1.313(b) (emphasis added).

The gravamen of plaintiff's regulatory argument is that the issue before the Court is not whether the PTO is obligated to determine a claim's patentability, but when it must make this determination. Plaintiff argues that § 151 and its legislative history indicate that the PTO must make this determination before issuance of the notice of allowance and payment of the issue fee.<sup>4</sup>

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<sup>4</sup> Plaintiff compares § 151 to 35 U.S.C. § 303, the patent reexamination statute, which allows reexamination of a patent only if there is a "substantial new question of patentability." The Federal Circuit, dismissing the PTO's reliance on its Manual of Patent Examining Procedure (MPEP), held that this statute does not allow reexamination of patent claims on ground considered before the patent was issued, even though reexamination might reveal that the requirements for patentability had not been met.

Defendant counters that the PTO has long had the discretion to withdraw a patent even after payment of the issue fee on unpatentability grounds. Subsection (3) was added to 37 C.F.R. § 1.313(b) in 1982. However, even before the addition of the "unpatentability" language, the PTO had the discretion to withdraw applications from issue on the basis of "mistake on the part of the Office" or subsection (1). The mistake ground was consistently held to envelop subsequently discovered reasons undermining an application's patentability. See, e.g., *Hull v. Commissioner of Patents*, 8 D.C. (2 MacArth.) 90 (1875) (denying writ of mandamus requesting issue of withdrawn patent). Indeed, defendant argues that the Director has not only the discretion but the duty to withdraw a patent from issue if there is a question about its patentability. See *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (en banc) (plurality opinion) (holding that the "Commissioner has an obligation to refuse to grant a patent if he believes that doing so would be contrary to law").

As for the standard of review of the PTO's adoption of 37 C.F.R. § 1.313(b), its own regulation, plaintiff offers two arguments to support its contention that the Court's review should be more searching and less deferential. First, plaintiff argues that 37 C.F.R. § 1.313(b) does not have the force and

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*In re Recreative Technologies Corp.*, 83 F.3d 1394, 1397 (Fed. Cir. 1996).



effect of law, because the PTO does not have substantive rulemaking powers outside of its own regulations,<sup>5</sup> and so the regulations are not entitled to the Court's deference.

Alternatively, plaintiff avers that, even if the Court were persuaded that deference is owed § 1.313(b) because it concerns patent proceedings, the regulation still cannot be "inconsistent with law," and under this standard, § 1.313(b) is invalid. Even where an agency's interpretation is entitled to deference, "the courts are the final authority on the issue of statutory construction. They must reject administrative constructions, whether reached by adjudication or by rulemaking, that are inconsistent with the statutory mandate or that frustrate the policy Congress sought to implement." *FEC v. Democratic Senatorial Campaign Comm.*, 454 U.S. 27, 32 (1981). Here, plaintiff claims, Congress has explicitly spoken to the salient issue, and so the court "must give effect to the unambiguously expressed intent of Congress." *Brown & Williamson Tobacco Corp.*, 2000 WL 289576 at \*6.

Defendant maintains that *Chevron* deference is appropriate here as well, on several grounds. First, as noted above, defendant argues that this regulation is due great deference

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<sup>5</sup> 35 U.S.C. § 6 empowers the Commission to "establish regulations, not inconsistent with law, for the conduct of proceedings in the Office." Accordingly, the Commissioner may issue only those regulations concerning the conduct of PTO proceedings.

because it was propounded pursuant to a statute that the PTO Director is charged with administering. See *Udall v. Tallman*, 380 U.S. 1, 16 (1965). Second, defendant argues that the Court must "accord[] considerable weight to the prior long-standing interpretation, if reasonable, of the agency charged with administering a regulatory scheme," see *Craft Machine Works, Inc. v. United States*, 926 F.2d 1110, 1114 (Fed. Cir. 1991), and that 35 U.S.C. § 151 and 37 C.F.R. § 1.313(b) have co-existed without incident under that "prior long-standing interpretation."<sup>6</sup>

This Court is persuaded by defendant's argument. According to the PTO's adoption of 37 C.F.R. § 1.313(b) appropriate deference under *Chevron*, this Court holds that the PTO's regulation is eminently reasonable, in light of the PTO's purpose of issuing valid patents, and contravenes neither the spirit nor the letter of 35 U.S.C. § 151.

3. *Caselaw and Intersection between 35 U.S.C. § 151 and 37 C.F.R. § 1.313(b)*

Plaintiff cites three cases in support of its argument that, once patent fees have been paid, issuance of the patent is a

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<sup>6</sup> The PTO has interpreted the "shall issue" language as allowing the withdrawal of a patent after payment of the issue fee for almost a century. See Rules of Practice in the Patent Office § 165-55 (1888-1848); Rules of Practice of the United States Patent Office in Patent Cases § 313 (1949-1972); and see 37 C.F.R. § 1.313(b) (1973-1996).

required administrative formality.<sup>7</sup> In *Brenner v. Ebbert*, 398 F.2d 762 (D.C. Cir. 1968), cert. den., 393 U.S. 926 (1968), the D.C. Circuit stated that "if the issue fee is timely tendered, the patent must issue," and that issuance of the patent is "a relatively ministerial act." *Brenner*, 398 F.2d at 764. The *Brenner* plaintiffs failed to pay the issue fee within the statutory three month time period because of an error by their attorney. When plaintiffs tried to pay the fee almost seven months after it was due, defendant PTO rejected the payment. Plaintiffs tried to revive the application. The Commissioner dismissed the petition. Plaintiffs brought suit to reverse the dismissal, compel revival, acceptance of the fee, and issuance of the patent. *Id.* at 763. The court upheld the PTO's dismissal. Defendant notes that, since *Brenner* concerned the timing of payment of the issue fee, and not the PTO's authority to withdraw a patent from issue, the language on which plaintiff relies is dicta. Defendant is correct. In fact, the court expressly set aside meaningful consideration of the patent issuance language, preceding the language on which plaintiff relies with "[c]ongress established a separate statutory framework for what remains --

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<sup>7</sup> Plaintiff also cites Judge Newman's concurring opinion in *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 935 F.2d 1263 (Fed. Cir. 1991), as persuasive authority in support. Defendant notes that this was only a concurrence, and therefore "not the law," as Judge Newman herself pointed out in *Pioneer Hi-Bred Int'l, Inc. v. J.E.M. Ag Supply, Inc.*, 200 F.3d 1374, 1378 (Fed. Cir. 2000).

issuance of the patent." Accordingly, the Court is not persuaded by this language.

Plaintiff also cites *United States Gypsum Co. v. Masonite Corp.*, 21 F.Supp. 551 (D. Del. 1937) in support of its mandatory interpretation of the "shall issue" language. In *Gypsum*, the court held that the defendant had a legal right to pay the final patent fee. In interpreting identical "shall issue" language in an earlier version of § 151, the court stated that "the Commissioner is bound by statute to issue the patent" once the final fee has been paid. *United States Gypsum Co. v. Masonite Corp.*, 21 F.Supp. 551, 552 (D. Del. 1937). Defendant discounts the *Gypsum* holding by noting that there, as in *Brenner*, the issue before the court was not whether the PTO has the authority to withdraw a patent application from issue after payment of the issue fee; it was whether the district court should enjoin a patent applicant from paying the issue fee on its allowed application. Accordingly, defendant argues, and the Court agrees, this holding has no relevance to the present case. As with *Brenner*, the Court places no reliance on the language plaintiff cites.

Finally, plaintiff cites *Sampson v. Dann*, 466 F.Supp. 965 (D.D.C. 1978), *aff'd* 610 F.2d 1000 (D.C. Cir. 1979), which is factually analogous to the present case. In a prior lawsuit, the *Sampson* court had remanded the *Sampson* plaintiff's case to the

PTO for the purpose of granting plaintiff a reissue patent. On remand, the PTO examiner completed the patent examination, the PTO sent plaintiff a notice of allowance, and plaintiff timely paid the fee. The PTO mailed plaintiff a notice scheduling the issuance of the patent. Before the patent was issued, however, a defendant in a separate patent infringement action brought by Sampson contacted the PTO to inform the PTO of prior art not considered during the review of the original application. In response, PTO officials examined the prior art, and directed that the prior art be withdrawn from issue because the prior art raised doubts about patentability. Plaintiff returned to court and argued that he was entitled to have the patent issued. The court agreed, holding that Congress' command in § 151 that "'the patent shall issue' created an enforceable right in Sampson." See *Sampson v. Dann*, 466 F.Supp. 965, 972 (D.D.C. 1978). The court also postulated that "[t]he Patent and Trademark Office's overall effectiveness as a protector of that public interest might well be enhanced by strict and merciful cut-off of Patent and Trademark Office consideration of an individual patent application once notice and payment have been effected, particularly one that has been so prominent and protracted as Sampson's." *Id.*

Unlike the *Brenner* and *Gypsum* courts, the *Sampson* court considered the issue presented in the present case: whether

defendant has the authority to refuse to issue a patent once the issue fee has been paid. Accordingly, defendant addresses it by citing a more recent case from this court, *Harley v. Lehman*, 981 F.Supp. 9 (D.D.C. 1997), which also considered the issue in the present case, but which discounts the *Sampson* case because of a subsequent change in the PTO's implementing regulations.

*Harley* is factually and procedurally identical to the present case. In *Harley*, plaintiff's application was allowed, plaintiff paid the issue fee, and a patent number and issue date were set. Just five days before the issue date, pursuant to 37 C.F.R. § 1.313(b)(3), the PTO withdrew the application, because a PTO director became concerned about the possible unpatentability of the application's claims. The applicant sued in district court, asserting, as *Blacklight* does, that the Commissioner lacked the statutory authority to withdraw the patent once the issue fee had been paid. The *Harley* court held that the PTO regulation allowing withdrawal of a patent from issue based on unpatentability was a reasonable interpretation of 35 U.S.C. § 151. The court also noted the historic coexistence of the ostensibly vying statutes as further proof that the PTO's interpretation was reasonable.

The *Harley* court specifically discounted the *Sampson* case. Like *Blacklight*, the *Harley* plaintiff relied on *Sampson*. The *Harley* court held, however, that "[p]laintiff's reliance on

*Sampson v. Dann* . . . is misplaced. . . . [because t]he regulation at issue in this case had not yet been enacted when *Sampson* was decided."<sup>8</sup> *Harley*, 981 F.Supp. at 12 n.3. The *Sampson* court considered the interplay between 35 U.S.C. § 151 and 37 C.F.R. § 1.313(b) before the unpatentability ground, or subsection (3), had been added to the latter provision. Accordingly, the provision allowed the PTO to withdraw the patent after payment of the issue fee only in cases of (1) a mistake on the part of the Office, and (2) a violation of § 1.56 [fraud] or illegality in the application. The *Sampson* court held that, since there was evidence of neither mistake nor fraud, the PTO was legally bound to issue plaintiff's patent. Defendant's argument on this score, therefore, is double-edged: not only is *Sampson* totally void of persuasive authority here, but *Harley* is controlling.<sup>9</sup>

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<sup>8</sup> When *Sampson* was decided in 1978, the PTO's regulations did not expressly allow withdrawal on the basis of unpatentability after payment of the issue fee. The regulation was amended in 1982 specifically to allow withdrawal from issue on the basis of "unpatentability of one or more claims." See 37 CFR § 1.313(b)(3).

<sup>9</sup> At the May 22, 2000 hearing, plaintiff argued that there actually is no functional difference between the *Sampson* court's consideration of the pre-subsection (3) regulation and the *Harley* court's consideration of the post-subsection (3) regulation. See May 22, 2000 Hr'g Tr. at 63. Plaintiff argued that, in *Harley*, the PTO indicated that they relied on the mistake exception to justify the withdrawal of the *Harley* plaintiff's patent, and that the mistake was the unpatentability of plaintiff's claim. In other words, plaintiff argues defendant slid subsection (3) unpatentability under subsection (1)

The Court finds that *Harley*, and not *Sampson*, is the more persuasive authority. First, the *Sampson* opinion, in a crucial section, includes language that effectively approvingly presages the addition of subsection (3):

It may be that fraud by the applicant, or even good cause for the failure by the Patent and Trademark Office to discover the prior art earlier would justify a court-fashioned exception to the statutory command. For example, Patent and Trademark Office custom might have established and Congress might have accepted such an exception. But the Patent and Trademark Office has failed to offer any persuasive proof of such a custom or its acceptance by Congress. Moreover, there is a substantial difference between fraud or other questionable action by an applicant which might justify such an exception and the receipt of prior art allegations raising routine substantive questions about patentability of a widely known invention claim which is at least ten years old. *Sampson*, 466 F.Supp. at 972-3.

Second, the Court is persuaded that the fact that the *Harley* court squarely considered subsection (3), while the *Sampson* court did not, makes *Harley* more persuasive. Accordingly, this Court finds that, under the applicable caselaw, defendant's interpretation of the governing patent issuance statutes is reasonable.

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exception. Therefore, both courts were actually considering the same subsection -- subsection (1) -- and the fact that subsection (3) had been passed is of no consequence. *Id.* The Court disagrees. The *Harley* opinion clearly indicates that subsection (3), and not subsection (1), was at issue. See *Harley*, 981 F.Supp. at 9, 11.



B. Which PTO Issuance Constituted Reviewable Final Agency Action

The parties disagree over which of the February 17 Notice or the March 22 Decision constituted final, reviewable agency action under the APA. Under 5 U.S.C. § 704, "[a]gency action made reviewable by statute and final agency action for which there is no other adequate remedy in a court are subject to judicial review." For these purposes, " 'agency action' includes the whole or part of an agency rule, order, license, ~~sanction~~, relief, or the equivalent or denial thereof, or failure to act...." 5 U.S.C. § 551(13). The parties do not dispute whether the February 17 Notice and the March 22 Decision constitute "agency action" under the meaning of the statute; they disagree over which agency action is "final" and therefore "reviewable."

Plaintiff contends that the February 17 Notice is the final, reviewable agency action. See Pl.'s Mot. for Summ. J. at 31-3. Courts must interpret the "finality" element flexibly and practically. See *Abbott Laboratories v. Gardner*, 387 U.S. 136, 149 (1967). Furthermore, in order to be final, the ruling must not have been issued by a subordinate official. See *Franklin v. Massachusetts*, 505 U.S. 788, 797 (1992). Plaintiff argues that the February 17 Notice constitutes the PTO's final action because that Notice effectively vitiated the enforceable right to the '601 patent that arose upon plaintiff's payment of the issue fee.

It was definitive action, in that plaintiff's patent counsel's efforts to reverse the Notice were unavailing. And, practically speaking, it had the very concrete effect of delaying Blacklight's planned public offering.

Plaintiff further argues that the February 17 Notice is the final agency action because the March 22 Decision is merely a post hoc, pretextual rationalization cooked up for litigation purposes. The March 22 Decision was issued after plaintiff filed its lawsuit. Plaintiff characterizes the Decision as a new record made for the reviewing court. See *Consumer Federation of America v. U.S. Department of Health and Human Services*, 83 F.3d 1497, 1506 (D.C. Cir. 1996). Accordingly, plaintiff argues, the Court should not consider it the final agency action.

Defendant responds, and the Court agrees, that the March 22 Decision constitutes the "final agency action within the meaning of 5 U.S.C. § 704 for purposes of seeking judicial review." See Pl.'s Mot. for Summ. J., Ex. 8, n. 1.

C. Administrative Procedure Act Claims: Whether the PTO's March 22 Decision Was Arbitrary and Capricious

Plaintiff argues, alternatively, that even if the Court is convinced that § 151 does not forbid the withdrawal of an application from issue after payment of the issue fee, the PTO's withdrawal of the patents-in-application was arbitrary and capricious in violation of the Administrative Procedure Act

(APA), 5 U.S.C. § 706 et seq. The APA authorizes the Court to issue an injunction to "compel agency action unlawfully withheld," 5 U.S.C. § 706(1), and therefore, plaintiff contends, this Court is authorized to order the PTO to issue the 5 patent applications as patents. The APA also authorizes the Court to "hold unlawful and set aside agency action . . . found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law," or agency action that is "in excess of statutory jurisdiction authority, or limitations, or short of statutory right." 5 U.S.C. § 706(2)(A), (C). \*\*\*

Plaintiff avers that the PTO, in contravention of its own proffered justification for withdrawal of the patents-in-application, did not make the required determination of unpatentability. Here, the March 22 decision upholding the February 17 notice indicated that the PTO relied on 37 C.F.R. § 1.313(b)(3), which allows withdrawal due to the "unpatentability of one or more claims," to justify its withdrawal of the patents-in-application. Plaintiff interprets that regulation to mean that a patent can be withdrawn only upon a finding of unpatentability, not upon a possibility of unpatentability. But, plaintiff points out, the March 22 decision indicates that the February 17 notice was issued at the PTO Director's request because she believed that Blacklight's applications "raise[d] a substantial question of patentability on one or more claims."

March 22 Decision at 2. Therefore, by defendant's own admission, the PTO has not made a final determination on unpatentability, and so acts in violation of its own regulations, and the APA.

Defendant responds that plaintiff makes this argument about PTO regulations without citing any authority. On the other hand, defendant's own Manual of Patent Examining Procedure (MPEP) § 1308.1 makes clear that withdrawal on the basis of unpatentability after payment of the issue fee is a 2-step process: first, "the actual withdrawal will be handled by the Office of Patent Publications and then the application will be returned to the examiner" and the unpatentable claims are rejected. Defendant further points out that this interpretation of the PTO regulation was upheld in *Harley*, in which the applicant's claims were not formally rejected until 6 months after his application had been withdrawn from issue. *Harley*, 981 F.Supp. at 12.

The Court is persuaded by the defendant's argument. The unpatentability subsection functions as a last-chance procedural measure to enable defendant to observe the PTO's central mandate of issuing viable patents. It is not a final pronouncement of unpatentability. The March 22, 2000 Decision informed plaintiff of this posture; it stated that the Director's decision to withdraw the patent from issue did not constitute either a rejection or an adverse action on the ultimate determination of

unpatentability. See Pl.'s Mot. for Summ. J., Ex. 8 at 4. Plaintiff has remedies outside this suit and this Court. See May 22, 2000 Hr'g Tr. at 55-59. Those remedies undermine plaintiff's suggested interpretation of the statute. Any subsection (3) determination of unpatentability will necessarily represent only a possibility of unpatentability, since such a determination, as defendant has made abundantly clear, is not in any way a final rejection. The PTO's withdrawal of plaintiff's patent application in order to reconsider its patentability was neither arbitrary nor capricious.<sup>10</sup>

#### V. Conclusion

For the foregoing reasons, it is hereby

**ORDERED** that defendant's motion for summary judgment [13-1]

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<sup>10</sup> This Court is troubled by several steps in the PTO's process, however. Defendant claims that the technology of the '294 application contravenes fundamental laws of chemistry and physics, yet the application was approved by a patent examiner, never reviewed by a supervisor, and would have issued as a patent but for the PTO's eleventh hour withdrawal. Defendant conceded at the May 22, 2000 hearing that the '294 application was withdrawn just days before the issuance date without the benefit of any PTO employee's re-evaluating the file. Also, the February 17 Notice, released twelve days before the scheduled issue date, gave no reason for the withdrawal besides a cryptic citation to 37 C.F.R. § 1.313(b)(3). At the May 22, 2000 hearing, defendant represented that these are common occurrences, because of the enormous number of patent applications that need to be addressed each year, and the "tremendous pressure" placed on patent examiners to produce work. See May 22, 2000 Hr'g Tr. at 48. Defendant may be well-advised to examine its patent issuance process so that their normal operations are not compromised by such seemingly suspicious procedures.

is GRANTED; and it is

FURTHER ORDERED that plaintiff's motion for summary judgment  
[11-1] is DENIED; and it is

FURTHER ORDERED that the Clerk shall enter final judgment in  
favor of defendant and against plaintiff.

8/14/00  
DATE

  
EMMET G. SULLIVAN  
UNITED STATES DISTRICT JUDGE

Notice To:

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### **CERTIFICATE OF SERVICE**

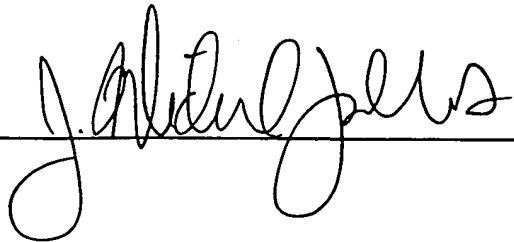
I certify that two true copies of the foregoing BRIEF FOR PLAINTIFF-APPELLANT BLACKLIGHT POWER, INC., were served by overnight delivery on November 6, 2000, on counsel for Defendant-Appellee as follows:

Barbara Biddle  
Alfred Mollin  
Appellate Staff, Civil Division  
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---

### **CERTIFICATE OF COMPLIANCE**

I hereby certify that the foregoing BRIEF FOR PLAINTIFF-APPELLANT BLACKLIGHT POWER, INC., contains 7,767 words as determined by WordPerfect 8.0, which was used to prepare the brief.

  
\_\_\_\_\_





IN THE  
**UNITED STATES COURT OF APPEALS**  
FOR THE FEDERAL CIRCUIT

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BLACKLIGHT POWER, INC.,

*Plaintiff-Appellant,*

v.

Q. TODD DICKINSON,  
Director, Patent and Trademark Office,

*Defendant-Appellee.*

---

Appeal from the United States District Court for  
the District of Columbia in 00-422 (EGS),  
Judge Emmet G. Sullivan

---

**REPLY BRIEF FOR PLAINTIFF-APPELLANT**  
**BLACKLIGHT POWER, INC.**

---

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February 20, 2001

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## **I. INTRODUCTION**

The Patent and Trademark Office (PTO) has failed to justify its illegal actions in withdrawing the patent applications of BlackLight Power, Inc., after BlackLight had paid the issue fees. The PTO's actions violated the plain language of 35 U.S.C. § 151, which states that "the patent shall issue" once the issue fee has been paid, as well as the language of its own regulation in 37 C.F.R. § 1.313(b)(3). Indeed, the PTO does not even list its failure to follow its own regulation as one of the issues on appeal, even though it was explicitly identified as one of the issues and argued in BlackLight's brief.

Instead, the PTO argues that this Court should defer to its interpretation of section 151, even though the Court has previously held that the PTO's statutory interpretations are not entitled to deference. Such deference would be particularly inappropriate here, where the statute unambiguously commands that "the patent shall issue" once the issue fee is paid. The first sentence of section 151 ("If it appears that applicant is entitled to a patent under the law"), on which the PTO relies so heavily, is not a preamble that modifies the entirety of the rest of the section. It specifies only that, when an applicant is entitled to a patent under the law, "a written notice of allowance of the application shall be given or mailed to the applicant."

At the very least, the PTO could not withdraw BlackLight's '294 application after it was too late to prevent publication in the Official Gazette. By doing so, the PTO clearly violated 35 U.S.C. § 122, which requires that patent applications be kept in strict confidence and prohibits the PTO from giving out any information about pending applications.

Even if the PTO had the statutory authority to withdraw the applications from issue, it violated its own regulation in doing so. 37 C.F.R. § 1.313(b)(3), on which the PTO purportedly relied, provides that, after the applicant has paid the issue fee, the application will not be withdrawn for any reason except the “[u]npatentability of one or more claims.” Since the PTO has effectively conceded that it never made any determination that the claims of the ‘294 application were invalid before withdrawing it from issue, the PTO tries to rewrite its regulation as requiring only a “possibility” or “concern” of unpatentability. That is not what the regulation says. Nor does BlackLight argue that the determination of unpatentability must be “conclusive” or “final,” since no one in the PTO ever made *any* determination of unpatentability before withdrawing the ‘294 application.

Indeed, neither the Group Director, Ms. Kepplinger, nor the Director of Special Programs, Mr. Spar, could have made such a determination of unpatentability because they never saw the ‘294 application file. Although the PTO tries to distance itself from their clearly arbitrary actions by focusing on the later March 22, 2000, decision of the Deputy Assistant Commissioner, that decision itself focused on the actions of Ms. Kepplinger and Mr. Spar. Since their actions were clearly arbitrary and capricious in withdrawing the ‘294 application in the first place, the Deputy Assistant Commissioner’s decision that they acted within the scope of their authority, without considering their complete lack of review of the relevant facts, cannot justify the PTO’s actions.

Accordingly, the district court’s grant of summary judgment should be reversed and the case remanded to the district court with instructions to set aside the PTO’s illegal actions in withdrawing BlackLight’s patent applications and to direct that these applications issue as patents.



## II. REPLY ARGUMENT

### A. This Court Should Not Defer to Either the District Court or the PTO

#### 1. The PTO Agrees That This Court Reviews the District Court's Decision Without Deference

The PTO agrees that this Court reviews the district court's decision *de novo*. (PTO Br. at 10.) The PTO also agrees that, when the decision below turns on statutory interpretation, as it does here, this Court interprets the statute independently without deference to the district court. (*Id.*)

#### 2. The PTO's Statutory Interpretation Is Not Entitled to Deference Under *Chevron*

Notwithstanding the directly contrary authority in *Merck & Co. v. Kessler*, 80 F.3d 1543, 38 USPQ2d 1347 (Fed. Cir. 1996), the PTO continues to assert that its interpretation of section 151 is entitled to substantial deference under *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). (PTO Br. at 15, 18-19.) As pointed out in BlackLight's brief (at 13), this Court need not give *Chevron* deference to the PTO's interpretation because the Commissioner does not have substantive rulemaking authority. *Merck*, 80 F.3d at 1549-50, 38 USPQ2d at 1351. BlackLight also cited numerous cases demonstrating that the Court does not defer to the PTO on questions of statutory interpretation. *See, e.g., In re Donaldson Co.*, 16 F.3d 1189, 1994, 29 USPQ2d 1845, 1848 (Fed. Cir. 1994) (*en banc*); *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1397-98, 38 USPQ2d 1776, 1778-79 (Fed. Cir. 1996); *In re Portola Packaging, Inc.*, 110 F.3d 786, 788, 42 USPQ2d 1295, 1297 (Fed. Cir. 1997).

The PTO tries to distinguish *Merck* by arguing that its regulations in 37 C.F.R. § 1.313 are "procedural," not substantive. (PTO Br. at 19.) The PTO's regulations

must be “procedural” because the Commissioner does not have the authority to issue substantive rules. *Merck*, 80 F.3d at 1550, 38 USPQ2d at 1351; *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 930, 18 USPQ2d 1677, 1686 (Fed. Cir. 1991). The Commissioner can only establish regulations directed to the “conduct of proceedings” in the PTO, and only then if they are “not inconsistent with law.” 35 U.S.C. § 6(a). The authority granted in section 6(a) does not extend to “the Commissioner’s interpretation of the patent statutes, whether it be section 101, 102, 103, 112 or other section.” *Animal Legal Defense Fund*, 932 F.2d at 930, 18 USPQ2d at 1686 (emphasis added). Thus, the fact that the PTO’s interpretation of section 151 may be embodied in a “procedural” rule, even if that rule was issued by the Commissioner under section 6(a), does not entitle it to any deference under *Chevron* since the PTO still lacks substantive rulemaking power. See *Atchison, Topeka & Santa Fe Ry. v. Pena*, 44 F.3d 437, 441-42 (7th Cir. 1994) (*en banc*) (distinguishing between “substantive” rules to which deference is given under *Chevron* and other types of rules), *aff’d*, 516 U.S. 152 (1996).

Significantly, the PTO cites no case in which this Court actually granted *Chevron* deference to the PTO’s interpretation of a statute. The only Federal Circuit case cited by the PTO, *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 7 USPQ2d 1152 (Fed. Cir. 1988), did not hold that the PTO’s statutory interpretation should be given deference because it has “procedural” rulemaking authority. (PTO Br. at 18.) While the Court in *Ethicon* cited *Chevron* for the general proposition that “an agency’s interpretation of a statute it administers is entitled to deference,” 849 F.2d at 1425, 7 USPQ2d at 1154, it did not defer to the PTO at all, but rather struck down the PTO’s regulation permitting a stay of reexamination as inconsistent with the statute. Indeed, when the Court later held that the PTO was not entitled to deference in

*Merck*, it cited *Ethicon* for support. *Merck*, 80 F.3d at 1550 n.6, 38 USPQ2d at 1351 n.6. Thus, *Ethicon* is no help to the PTO's position, but rather supports BlackLight.<sup>1</sup>

In any event, the PTO agrees that, even under *Chevron* and its progeny, the courts do not defer to an agency's interpretation of a statute unless the relevant statute is silent or ambiguous on the question at hand. (PTO Br. at 11.) See *Ad Hoc Comm. v. United States*, 13 F.3d 398, 402 (Fed. Cir. 1994); *Glaxo Operations UK Ltd. v. Quigg*, 894 F.2d 392, 398, 13 USPQ2d 1628, 1633 (Fed. Cir. 1990). As explained in BlackLight's brief (at 14-16), and discussed further below in Section II(B)(1), section 151 is clear and unambiguous on its face that the PTO must issue a patent after the applicant pays the issue fee. Therefore, *Chevron* does not apply.

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<sup>1</sup> The other cases cited by the PTO are either distinguishable or unpersuasive. *Jaskiewicz v. Mossinghoff*, 802 F.2d 532, 535, 231 USPQ2d 477, 479 (D.C. Cir. 1986) (PTO Br. at 19 n.9), merely notes that the Commissioner has the authority to prescribe regulations governing the recognition and conduct of persons practicing patent law under 35 U.S.C. § 31. It says nothing about the PTO's authority to issue substantive rules interpreting the patent statute. *Friedman v. Lehman*, 40 USPQ2d 1206, 1207-08 (D.D.C. 1996) (PTO Br. at 19 n.9), also does not concern interpretation of the patent statute, but rather involved the PTO's interpretation of one of its own disciplinary rules.

Similarly, the PTO cites *In re Alappat*, 33 F.3d 1526, 1534-35, 31 USPQ2d 1545, 1550 (Fed. Cir. 1994) (*en banc*); and *Lorenz v. Finkl*, 333 F.2d 885, 889-90, 142 USPQ 26, 30 (CCPA 1964) (PTO Br. at 19), for nothing more than the unremarkable proposition that the Commissioner has the authority to establish regulations under section 6(a).

*Rydeen v. Quigg*, 748 F. Supp. 900, 16 USPQ2d 1876 (D.D.C. 1990); and *Hitachi Metals, Ltd. v. Quigg*, 776 F. Supp. 3, 20 USPQ2d 1920 (D.D.C. 1991) (PTO Br. at 18-19), are district court cases decided before the Federal Circuit's decision in *Merck*. Like the appealed decision and the D.C. district court's decision in *Harley v. Lehman*, 981 F. Supp. 9, 44 USPQ2d 1699 (D.D.C. 1997), they are not binding on this Court.

3. The PTO's "Longstanding Interpretation" of  
Section 151 Does Not Entitle It to Deference

Nor should the PTO's supposed "longstanding interpretation" of section 151 entitle it to deference. *See Donaldson*, 16 F.3d at 1194, 29 USPQ2d at 1849 (rejecting PTO's interpretation of 35 U.S.C. § 112, ¶ 6, despite its longstanding practice of not applying statute); *Recreative Techs.*, 83 F.3d at 1397, 38 USPQ2d at 1779 (rejecting PTO's interpretation of reexamination statute despite its reliance on Manual of Patent Examining Procedure). "The fact that the PTO may have failed to adhere to a statutory mandate over an extended period of time does not justify its continuing to do so." *Donaldson*, 16 F.3d at 1194, 29 USPQ2d at 1849.

The PTO argues that *Donaldson* is distinguishable because that case involved a situation where "the statute and rule were directly contradictory." (PTO Br. at 17.) That was not the PTO's position in *Donaldson*, however, when it tried to argue that the particular statute, 35 U.S.C. § 112, ¶ 6, was "ambiguous" because it did not specifically state that it applied to patent prosecution. *Donaldson*, 16 F.3d at 1194, 29 USPQ2d at 1849. The Court rejected the PTO's argument, as it should here.

Further, the Court in *Donaldson* expressly rejected the same argument the PTO makes here regarding "Congressional silence." *Id.*, 16 F.3d at 1193 n.3, 1194, 29 USPQ2d at 1848 n.3, 1849. (See PTO Br. at 16-17.) Unless there is specific evidence that Congress was aware of the PTO's practice, and the PTO has provided no such evidence in this case, Congress's silence is meaningless. *See id.* at 1193 n.3, 29 USPQ2d at 1848 n.3.

Finally, the PTO's arguments on this point are completely inconsistent. First, the PTO argues that "*for almost ninety years* [its] regulations have authorized the withdrawal of an application before it has issued even though the issue fee has been

paid,” and that it “has withdrawn applications from issue after payment of the issue fee *for at least the last 125 years.*” (PTO Br. at 16; emphasis added.)<sup>2</sup> The PTO then turns around and argues that cases decided before 1982, such as *Sampson v. Dann*, 466 F. Supp. 965, 201 USPQ 15 (D.D.C. 1978), should be ignored because the current regulation was not yet enacted. (PTO Br. at 23.)<sup>3</sup>

The PTO cannot have it both ways. Accordingly, its supposed “longstanding interpretation” of section 151 should have no bearing on the proper interpretation of section 151. In any event, it is ultimately for this Court to decide whether the PTO’s interpretation violates the plain language of the statute. *See Ethicon*, 849 F.2d at 1425, 7 USPQ2d at 1154 (“[T]he courts are the final authorities on issues of statutory construction.”).

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<sup>2</sup> The PTO relies on two very old cases, *Hull v. Commissioner of Patents*, 9 D.C. (2 MacArth.) 90 (D.C. 1875); and *Ex Parte Hunt*, 1878 Dec. Comm’r Pat. 149, 13 Official Gazette 771 (Comm’r Pat. 1878), for this latter proposition, but they were actually decided long before the statute, R.S. 4885, was amended in 1908 to tie issuance of the patent to payment of the issue fee. Consequently, these cases are irrelevant to the PTO’s alleged “longstanding” interpretation of the current statutory language in section 151.

<sup>3</sup> The PTO acknowledges that *Sampson* considered the issue presented in this case. (PTO Br. at 23). Specifically, the court in *Sampson* held that the command in section 151 that “the patent shall issue” created an “enforceable right,” and that the PTO was required to issue the patent after the applicant paid the issue fee. 466 F. Supp. at 973, 201 USPQ at 22. Contrary to the PTO’s argument, the *Sampson* court did not suggest that any “later enacted exceptions” to section 151 would be valid. (PTO Br. at 24 n.11). The court merely observed that the PTO had not established any exception, such as “fraud or other questionable action by an applicant,” which might justify an exception to section 151. 466 F. Supp. at 973, 201 USPQ at 21. Thus, the court specifically rejected the PTO’s argument that mere “unpatentability” could justify its disregard of the statute.

**B. The PTO's Actions Violated the Plain Language of 35 U.S.C. § 151**

**1. Section 151 Unambiguously Commands Issuance of the Patent After Payment of the Issue Fee**

In its attempt to invoke the *Chevron* standard, the PTO rewrites the district court's opinion, referring to a supposed "finding" by the court that section 151 is "ambiguous." (PTO Br. at 10.) The court made no such "finding," however, relying instead on *Harley v. Lehman*, 981 F. Supp. 9, 44 USPQ2d 1699 (D.D.C. 1997), and the PTO's argument supposedly based on the "plain language" of the statute. *BlackLight Power, Inc. v. Dickinson*, 109 F. Supp.2d 44, 48, 55 USPQ2d 1812, 1815 (D.D.C. 2000). (A10.)

The PTO's argument is hardly based on the "plain language" of the statute. It argues that the section 151 is "ambiguous" because it fails to "expressly state whether a patent application having serious patentability concerns that has not yet issued can be withdrawn even though the issue fee has been paid." (PTO Br. at 12.) To the contrary, the language of the statute could not be more clear in its command that, "[u]pon payment of [the issue fee] *the patent shall issue*." Moreover, the fact that section 151 does not specifically admonish the PTO that it cannot withdraw an application after the issue fee has been paid does not mean that it is ambiguous in this respect. *See Donaldson*, 16 F.3d at 1194, 29 USPQ2d at 1849 (fact that 35 U.S.C. § 112, ¶ 6, does not specifically state that it applies during prosecution does not make it ambiguous).

Indeed, in its attempt to create an ambiguity where none exists, the PTO distorts the language of section 151 beyond recognition. It argues that "[s]ection 151 allows issuance only '[i]f it appears that applicant is entitled to a patent under the

law.” (PTO Br. at 9, 13.) That it not what the statute says. Section 151 provides that, “[i]f it appears that applicant is entitled to a patent under the law, *a written notice of allowance of the application shall be given or mailed to the applicant*” (emphasis added). Following the express wording of the statute, the examiner determined that BlackLight was entitled to a patent and issued a written Notice of Allowance. (A135.)<sup>4</sup>

In support of its strained reading of the statute, the PTO also cites *Harley* as holding that section 151 premises the issuance of a patent on the PTO’s mandate to issue only valid patents. (PTO Br. at 7; see also A10.) Even the district court in *Harley*, however, recognized that the first sentence of section 151 (“If it appears that applicant is entitled to a patent under the law”) is not a preamble that modifies the rest of the section. 981 F. Supp. at 11, 44 USPQ2d at 1701-02. Although the PTO argues that section 151 should be read “as a whole” (PTO Br. at 13-14), it never explains how the introductory clause of section 151 modifies the following paragraph in which the statutory command that a patent “shall issue” appears. Rather, as the court explained in *Brenner v. Ebbert*, 398 F.2d 762, 157 USPQ 609 (D.C. Cir. 1968), under the statutory framework, examination of a patent application is complete when the application is allowed. “Congress established a separate statutory framework for

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<sup>4</sup> The PTO tries to undermine the competence of its own examiner by asserting that he never addressed BlackLight’s theory that “the electron in a hydrogen atom can be relaxed to produce vast quantities of energy.” (PTO Br. at 3 n.1.) As it has done throughout this case, the PTO fails to make any distinction between the claims of the ‘294 application, which are directed to new compositions of matter, specifically hydride compounds, and claims to a method for releasing energy from hydrogen atoms, as in the issued ‘935 patent. Moreover, in conducting his examination of the ‘294 application, the patent examiner raised issues related to operability under 35 U.S.C. § 101 (A129; A399), which he eventually withdrew and issued the Notice of Allowance.

what remains—issuance of the patent. It is a relatively ministerial act; if the issue fee is timely tendered, the patent must issue.” *Id.* at 764, 157 USPQ at 611.

Not only does the PTO distort the statute, but it twists BlackLight’s argument as well. BlackLight does not argue that the “language in the statute requires the Director to issue the patent upon payment of the issue fee *regardless of whether the condition set forth in the first sentence of Section 151 . . . is met.*” (PTO Br. at 13; emphasis added.) In the case of BlackLight’s ‘294 application, the condition in the first sentence of section 151 *was* met. That is why the examiner issued the Notice of Allowance, as expressly provided in the statute. Once that condition was satisfied, however, and BlackLight paid the issue fee, section 151 does not allow the PTO to keep reopening prosecution and reexamining the patent application repeatedly. As with reexamination, once the issue fee is paid, the PTO is not entitled to conclude that “an earlier examination was not conducted properly and to do it again.” *Portola*, 110 F.3d at 790, 42 USPQ2d at 1299.

Finally, the PTO argues that “[s]ection 151 merely serves to guide [it] in establishing an order of procedure prior to an application issuing.” (PTO Br. at 14.) Although the PTO would like to treat section 151 as a “guide,” the statute uses the word “shall,” which is the “language of command.” *Boyden v. Commissioner of Patents*, 441 F.2d 1041, 1043 n.3, 168 USPQ 680, 681 n.3 (D.C. Cir. 1971).<sup>5</sup> Thus,

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<sup>5</sup> Similarly, in *LO Shippers Action Comm. v. ICC*, 857 F.2d 802, 806 (D.C. Cir. 1988), cited by the PTO (Br. at 14), the court held that the use of the word “shall” generally indicates the absence of discretion and the word “may” indicates its presence. In a different context, the court in *United Hosp. Center, Inc. v. Richardson*, 757 F.2d 1445, 1453-54 (4th Cir. 1985), also cited by the PTO (Br. at 14), held that the term “may” as used in a regulation was also mandatory.



section 151 unambiguously commands that the PTO must issue a patent after the applicant pays the issue fee.

## **2. The PTO's Regulation Is Invalid**

As authority for withdrawing the '294 application, the PTO relies on 37 C.F.R. § 1.313(b)(3), which provides that an application may be withdrawn for "[u]npatentability of one or more claims" after the issue fee has been paid. Section 1.313(b), however, is inconsistent with the statutory mandate in section 151 that a patent *shall* issue after payment of the issue fee and is therefore invalid.

Once again, the PTO tries to justify its regulation on the ground that it has a "higher obligation" to issue only valid patents. (See PTO Br. at 12.) *See also BlackLight*, 109 F. Supp.2d at 49-50, 55 USPQ2d at 1816-17. (A12; A14.) The PTO does not have the authority to ignore procedures prescribed by law, however, merely because it believes it can construct better procedures. *See Natural Resources Defense Council, Inc. v. Herrington*, 768 F.2d 1355, 1396 (D.C. Cir. 1985).

This Court rejected a similar argument in *In re Recreative Techs. Corp.*, 83 F.3d 1394, 38 USPQ2d 1776 (Fed. Cir. 1996), where the PTO argued that it could reexamine patent claims on grounds previously considered despite the explicit statutory language allowing reexamination of a patent only if there is a "substantial new question of patentability." Even though reexamination might show that the requirements for patentability had not been met, the Court held that the "power [to reexamine questions of patentability decided in original examination] can not be acquired by internal rule of procedure or practice." *Id.* at 1398, 38 USPQ2d at 1779.

Finally, even assuming that section 1.313(b)(3) affords the PTO a "last-chance procedural measure" to issue only valid patents, *BlackLight*, 109 F. Supp.2d at 54, 55 USPQ2d at 1820 (A24), there must be limits. The limit was exceeded here when the

PTO withdrew the '294 application so late that it could not prevent publication in the Official Gazette. Specifically, the February 29, 2000, Official Gazette contains a notice of the issuance of U.S. Patent No. 6,030,601, based on the '294 application, including the entire text of claim 17 and one of the figures. (A155-56.) Since the patent did not issue, this publication was a clear violation of 35 U.S.C. § 122, which provides that "[a]pplications for patents shall be kept in confidence by the Patent and Trademark Office and *no information concerning the same given without authority of the applicant*" (emphasis added). *See also* 37 C.F.R. § 1.14(a) ("No information will be given concerning the filing, pendency, or subject matter of any application for patent . . .").<sup>6</sup> At the very least, section 1.313(b)(3) cannot be used to withdraw an application after it is too late to prevent publication, which would result in a violation of section 122.

**C. The PTO Did Not Follow Its Own Regulation**

**1. No One in the PTO Ever Determined that the  
'294 Application Claims Were Unpatentable**

The PTO is noticeably silent in response to BlackLight's argument that the PTO failed to follow its own regulation. The PTO purportedly withdrew the '294 application from issue pursuant to 37 C.F.R. § 1.313(b)(3), which provides that, after the applicant has paid the issue fee, the application will not be withdrawn from issue for any reason except for the "[u]npatentability of one or more claims." As pointed out in BlackLight's brief, however, there is nothing in the administrative record showing that the Group Director, Ms. Kepplinger, or anyone else in the PTO, ever

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<sup>6</sup> Although the PTO subsequently published an erratum in the Official Gazette indicating that the patent was not granted (A79-80; A416), it did not cure the violation of section 122.

determined that the claims of the '294 application were unpatentable. (BlackLight Br. at 23.) Indeed, when the Notice withdrawing the '294 application issued on February 17, 2000, Ms. Kepplinger could not possibly have known whether the claims were unpatentable because she had never even seen the claims. (A40; A53; A131.) Nearly two weeks later on February 28, 2000, she still did not have the '294 application file. (A133.)

Although the PTO's failure to follow its own regulation was specifically identified as one of the issues in BlackLight's brief (at 1, 23-25), the PTO does not even list it in its statement of the issues. Nor does it dispute the fact that no one ever made an actual determination of "unpatentability of one or more claims" as required by the regulation. Instead, the PTO tries to get around the language of its regulation by arguing that section 1.313(b)(3) does not require a "conclusive" determination of unpatentability before withdrawing an application. (PTO Br. at 26.)

The PTO's argument, however, completely fails to respond to BlackLight's point. BlackLight has never argued that section 1.313(b)(3) requires a "conclusive" determination of unpatentability. But it does require at least *a* determination of unpatentability as a prerequisite to withdrawing an application. BlackLight has contended all along that the PTO made *no* determination of unpatentability *at all*, a point which the PTO has apparently admitted. Even the decision issued March 22, 2000, implicitly acknowledged that there had been no determination of unpatentability of the '294 claims, only that "[a]n Office Action addressing the merits of the application *or* a supplemental Notice of Allowance will issue in due course." (A153; emphasis added.) Accordingly, the PTO never made any determination of "unpatentability" as required by section 1.313(b)(3) before withdrawing the '294 application.

2. 37 C.F.R. § 1.131(b)(3) Does Not Permit a Mere  
“Possibility” or “Concerns” of Unpatentability

Since the PTO cannot show that it ever determined the claims of the ‘294 application were unpatentable, it tries to rewrite the words of the regulation to cover BlackLight’s situation. For example, the PTO asserts that it can withdraw an application if it believes “the application has serious patentability problems” (PTO Br. at 21) or it has “reasonable concerns about the patentability of the claims” (PTO Br. at 24-25). Just like the district court’s misreading of section 1.313(b)(3) as requiring only a “possibility of unpatentability,” *BlackLight*, 109 F. Supp.2d at 54, 55 USPQ2d at 1820 (A25), none of the PTO’s “interpretations” finds any support in the regulation. To the contrary, allowing the PTO to withdraw an application based on the mere “possibility” or “concerns” of unpatentability would make the notice of allowance and the regulation in section 1.313(b)(3) meaningless. By its own terms, the regulation prohibits withdrawal after the issue fee has been paid except in specifically defined circumstances: “Once the issue fee has been paid, the Office *will not* withdraw the application from issue at its own initiative for any reason *except* . . . [u]npatentability of one or more claims.” 37 C.F.R. § 1.313(b)(3) (emphasis added).

The PTO’s reliance on *Harley v. Lehman*, 981 F. Supp. 9, 44 USPQ2d 1699 (D.D.C. 1997), as support for its “interpretation” of section 1.313(b)(3) is also misplaced. Like the district court’s opinion, the PTO is simply wrong that “*Harley* is factually indistinguishable from this case.” (PTO Br. at 20; see A18.) Moreover, the PTO knows it is wrong. It argues that, “[j]ust as in *Harley*, the basis for the withdrawal was *the group director’s concern about the patentability of the claimed invention.*” (PTO Br. at 21; emphasis added.) As the PTO well knows, however, the

Group Director in *Harley* had more than a mere “concern” about patentability. Specifically, it told the district court in that case that it had complied with section 1.313(b)(3) because the Group Director had actually determined that one or more claims were unpatentable. (A596-97.) If anything, *Harley* supports BlackLight’s argument that section 1.313(b)(3) requires the PTO to have made an actual determination of unpatentability before withdrawing an application. Thus, if this Court were to follow *Harley*, it should hold that the PTO must have made an actual determination of unpatentability as it argued was necessary in that case.

In any event, the inconsistency between the PTO’s positions in *Harley* and here, as well as the plain language of section 1.313(b)(3), compels reversal of the PTO’s actions in this case. Wholly apart from *Harley*’s inconsistency with *Merck*, there is nothing in the administrative record that shows anyone in the PTO ever determined that the claims of the ‘294 application are unpatentable before it withdrew the application.

**D. The PTO’s Actions Were Arbitrary and Capricious**

**1. No One in the PTO Ever Reviewed the ‘294 Application Before It Was Withdrawn**

The PTO provides no satisfactory response to BlackLight’s argument that the PTO’s actions were arbitrary and capricious. The PTO does not dispute the fact that neither the Group Director, Ms. Kepplinger, nor the Director of Special Programs, Mr. Spar, ever reviewed the ‘294 application file before it was withdrawn. Although nothing in the regulations specifically requires “actual review of the file prior to making an initial decision to withdraw an application from issue” (PTO Br. at 25), the PTO must still examine the relevant facts and there must be a rational connection between the facts relied on and the decision made. *See Motor Vehicle Mfrs. Ass’n*

*v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (holding that agency must examine relevant data and articulate “rational connection between the facts found and the choices made”). Since she never reviewed the file, Ms. Kepplinger decided to withdraw the ‘294 application without even knowing what the application disclosed, the scope of the allowed claims, or whether the same issues had already been raised during prosecution before the examiner. Mr. Spar mistakenly thought that the application was directed to “cold fusion.” (A51; A131; A555.)

Throughout its brief, the PTO tries to justify Ms. Kepplinger’s failure to review the ‘294 application file on the ground that it is directed to “similar technology” as the issued ‘935 patent. (See PTO Br. 3, 4, 5 n.3.) For example, the PTO asserts that Ms. Kepplinger “became aware that the pending ‘294 application was directed at similar novel technology” as the issued ‘935 patent. (PTO Br. 4.) That assertion is incredible, however, in view of the undisputed fact that Ms. Kepplinger never reviewed the ‘294 application file. There is clearly no support for it in the administrative record.<sup>7</sup>

Instead, the PTO speculates that Ms. Kepplinger somehow used the PTO’s “human and computer resources” in making this determination. (PTO Br. at 5 n.3.) The only support the PTO can muster for this assertion, however, is a citation to the Associate Solicitor’s argument to the district court. (A770-71.) Without any supporting evidence, he suggested to the court that Ms. Kepplinger may have looked at the title of the ‘294 application on a computer screen. (*Id.*) Argument by counsel

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<sup>7</sup> The PTO also argues that Ms. Kepplinger’s decision was “based on concerns that the *claimed invention* violates the known laws of physics and chemistry.” (PTO Br. at 9, 21; emphasis added.) Of course, that is not true either since Ms. Kepplinger never saw the claims of the ‘294 application.

does not constitute evidence. *In re Teledyne Indus., Inc.*, 696 F. 2d 968, 971, 217 USPQ 9, 11 (Fed. Cir. 1982).

Even if the PTO's assertion is true, the fact that Ms. Kepplinger might have based her determination on the title of the '294 application, without reviewing the file, magnifies the arbitrariness of her decision. The title of the '294 application, "Hydride Compounds," clearly indicates that it concerns different subject matter than the '935 patent, which is titled "Lower-Energy Hydrogen Methods and Structures." Unlike the '935 patent, which concerns methods and apparatus for releasing energy from hydrogen atoms, the '294 application is directed to *compositions of matter*, which include conductive magnetic plastics and high-strength coatings. Since the decision to withdraw the '294 application from issue was not based on a review of the relevant facts, but only a presumably valid issued patent, the decision was arbitrary and capricious.

## **2. The March 22, 2000, Decision Did Not Insulate the Group Director's Arbitrary Actions from Review**

The PTO tries to distance itself from the clearly arbitrary actions in withdrawing the '294 application before it was scheduled to issue on February 29, 2000, and instead focuses on the March 22, 2000, decision. (PTO Br. at 24-25.)<sup>8</sup> Even assuming that the March 22 decision represents the "final" agency action for purposes of seeking judicial review (A146 n.1), the PTO is wrong that Ms. Kepplinger's actions are "irrelevant." (PTO Br. at 27, 28.) Nothing in the March 22,

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<sup>8</sup> In discussing the March 22, 2000, decision, the PTO refers to three letters submitted by BlackLight "to withdraw the pending application from issue." (PTO Br. at 5.) BlackLight's letters asked the PTO to do exactly the opposite—to reconsider the withdrawal of BlackLight's applications and issue them as patents. (A49-53; A144-45.)

2000, decision indicates that Deputy Assistant Commissioner Stephen G. Kunin made an independent determination that the claims of the '294 application were unpatentable. (A146-54.) Instead, by its own terms, the decision merely reviewed the record and found that Ms. Kepplinger and Mr. Spar "did not act improperly in withdrawing the application from issue." (A153.) Specifically, the decision found that (1) the record did not show that Mr. Spar "acted beyond the scope of [his] authority" (A150); and (2) Ms. Kepplinger "was not prohibited from determining anew that the technology embraced by the instant application lacked patentability of one or more claims" (A151).

The March 22, 2000, decision failed to consider, however, whether Ms. Kepplinger ever actually determined whether the claims were unpatentable or even reviewed the '294 application file. Although the March 22 decision states that the withdrawal was "due to the Director's [Ms. Kepplinger's] determination that one or more claims lacked patentability" (A150), that clearly was not true since Ms. Kepplinger never even saw the file for the '294 application. To the contrary, nothing in Ms. Kepplinger's declaration indicates she ever made an actual determination of unpatentability of any of the claims, but rather she had some vague "patentability concerns." (A552.)<sup>9</sup>

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<sup>9</sup> The PTO also argues that "BlackLight does not dispute the reasonableness of the Director's [March 22] decision to withdraw the '294 application due to the applicant's questionable science." (PTO Br. at 25.) BlackLight did not "dispute" this assertion by the PTO because the Deputy Assistant Commissioner never decided that the '294 application was based on "questionable science" in his March 22, 2000, decision. Although he found that the Group Director, Ms. Kepplinger, "reasonably" requested withdrawal of the '294 application (A150), and otherwise referred to the "reasonableness" of her decision (A151), BlackLight showed that Ms. Kepplinger's decision was anything but "reasonable" since it was not based on a review of the relevant facts.



Consequently, the PTO cannot use the Deputy Assistant Commissioner's March 22, 2000, decision, which merely reviewed Ms. Kepplinger's and Mr. Spar's actions, to place those actions beyond review. Even assuming that the Deputy Assistant Commissioner had found the '294 application file by then, he did not independently determine that the claims were unpatentable. Since Ms. Kepplinger's and Mr. Spar's actions were clearly arbitrary and capricious in withdrawing the '294 application in the first place, the Deputy Assistant Commissioner's decision that they acted within their scope of authority, without also considering their complete lack of review of the relevant facts, cannot justify the PTO's actions. *See Yepes-Prado v. U.S. INS*, 10 F.3d 1363, 1370 (9th Cir. 1993) ("Agencies abuse their discretion no less by arriving at plausible decisions in an arbitrary fashion than by reaching unreasonable results.")

**3. The District Court Was Also "Troubled" by the PTO's "Seemingly Suspicious Procedures"**

Finally, the PTO tries to dismiss the district court's concerns about the PTO's "seemingly suspicious procedures" as relating only to the timing of its actions before the March 22, 2000, decision. (PTO Br. at 26 n.12.) A review of the hearing transcript before the district court, however, shows that it was concerned about much more than just timing. In particular, the court was concerned about what exactly triggered Ms. Kepplinger to withdraw the '294 application in the first place, finding the PTO's entire explanation to be "sort of mysterious." (A710.) More importantly, as shown in the following excerpts, the court was clearly troubled by Ms. Kepplinger's failure to review the '294 application file:

MR. SELTER [BlackLight's Counsel]: . . . [I]t seems everybody who looks at the data is convinced that it works, and perhaps if the government, if Group Director

Kepplinger had looked at the data when she made the decision, she would be convinced, too.

THE COURT: And it's clear from the record that she did not look at the data.

MR. SELTER: It's clear that she did not look at the 294 application; that's correct. All that is in the record is that she looked at the 935 patent.

THE COURT: *That's another reason why this case is very troubling.* (A762; emphasis added.)

\* \* \*

THE COURT: . . . *[T]his whole process is very troubling.* One day, the Director goes to her office and she starts looking at 935, not 294. She examines the application, 935, and then she's troubled, and then, somehow or another, she, quote/unquote, becomes further aware of the 294 being issued. There's nothing in this decision to indicate that she ever looked at 294, is there?

MR. BAER [PTO's Counsel]: No. We would admit that, on February 17th, she did not have the 294 application in front of her, because it was off at the printers –

THE COURT: Right.

MR. BAER: – But she knew enough about it that she could make a determination that “We need to look at this again.” Now, had we pulled the wrong file, the wrong application – for instance, if the 294 had to do with toasters – we would have issued that by now. We wouldn't be here. We have subsequently looked at it. The final decision, the agency says, “We have looked at the application and we are concerned about the application.” Plaintiff –

THE COURT: But can the government tell an applicant who's entitled to a patent that “We're going to hold up issuance of your patent, although we have not

looked at it. We're going to hold it up and not really give a precise reason as to why it's being held up," other than to just make a citation to a regulation, and then say to the reader, "If you can figure out which section that we're relying upon, good for you, because we're not going to tell you"? The whole thing is just (pause), *it's very troublesome*. (A769-70; emphasis added.)

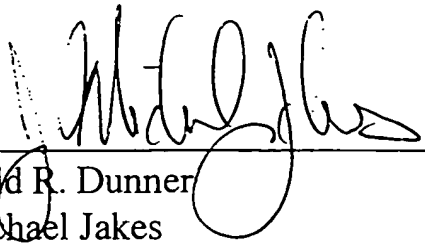
Thus, as expressed in its opinion, the district court was troubled by several steps in the PTO's process, including the withdrawal of the '294 application from issue "without the benefit and any PTO employee's re-evaluating the file." *BlackLight*, 109 F. Supp.2d at 54 n.10, 55 USPQ2d at 1820 n.10. (A25 n.10.) These concerns should have led it to the conclusion that the PTO's decision was arbitrary and capricious, a conclusion that this Court should reach on appeal.

### III. CONCLUSION

For these reasons, the district court's grant of summary judgment for the Commissioner and against BlackLight should be reversed. The case should be remanded to the district court with instructions to set aside the PTO's illegal actions in withdrawing BlackLight's application Serial Nos. 09/009,294, 09/008,947, 09/009,455, 09/009,678, and 09/111,160, and to direct that these applications issue as patents.

Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

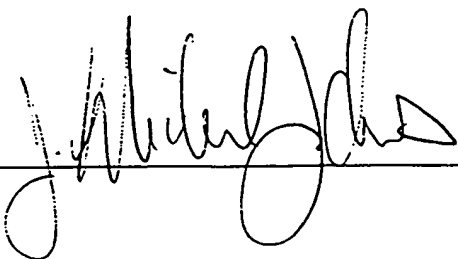
I certify that two true copies of the foregoing REPLY BRIEF FOR PLAINTIFF-APPELLANT BLACKLIGHT POWER, INC., were served by first class mail on February 20, 2001, on counsel for Defendant-Appellee as follows:

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## **CERTIFICATE OF COMPLIANCE**

I certify that the foregoing REPLY BRIEF FOR PLAINTIFF-APPELLANT BLACKLIGHT POWER, INC., contains 6541 words as determined by WordPerfect 8.0, which was used to prepare the brief.



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